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How to insure Trucking Companies



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HOW TO INSURE TRUCKERS

This course will follow Pamela as she prepares to call on Close to Home Truck Lines. Close to Home is owned by her brother-in-law, Ephraim. They just had an uncovered loss and the brother-in-law is concerned that his current agent does not understand the trucking industry and, therefore, is not providing the coverage they need. Ephraim has confidence in Pamela since she helped him understand why the loss wasn't covered. Pamela appreciates the faith Ephraim has in her and wants to do her best.

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown.

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Risk Overview - A description of a particular risk and its potential exposures.

Category: Trucking and Transit

SIC CODE: 4212 Local Trucking without Storage

4213 Trucking, Except Local

4214 Local Trucking with Storage

NAICS CODE: 484110 General Freight Transit, Local

484121 General Freight Transit, Long-Distance – Truckload

484122 General Freight Transit, Long-Distance-Less than Truckload

484220 Specialized Freight (except Used Goods) Transit, Local

484230 Specialized Freight (except Used Goods) Transit, Long-Distance

Suggested ISO General Liability Code: 99793

Suggested Workers Compensation Code: 7228, 7229, 7230, 7231, 7232

Description of operations:

Truckers transport cargo from its initial loading and pick up at the shipper's location to final delivery and unloading at the receiver's location. The cargo can include raw materials, work in process, and finished goods. The trucker may assist customers in the packing and unpacking of freight. Many trucking companies have warehouse facilities for both temporary and long-term storage of customers' goods. While some truckers transport freight to the same destinations over and over, others transport single shipments to a particular destination. The trucking industry is regulated by a number of federal agencies.

Property exposure

can be high if the risk repairs, refuels and maintains its own vehicles on premises. Exposures include flammable liquids, including gasoline and diesel fuel, and heat-producing activities such as welding. Flammable liquids and heat-producing activities must be separated from combustibles to prevent fire and explosion. All spray-painting should be conducted in a spray booth with approved fixtures. The condition and controls of fuel tanks, whether above or below ground, are important for both property and environmental liability. Fire hazards can arise from the combustibility of items stored for customers. There must be adequate aisle space to allow firefighters to carry out their duties. If items in storage include any flammables or ignition sources, they must be properly controlled. As stored items are attractive targets for theft, there should be appropriate security including physical barriers to prevent entrance to the premises after hours and an alarm system that reports directly to a central station or the police department.

Crime exposure

is from employee dishonesty and from money and securities. Background checks, including criminal history, should be performed on all employees handling money. Trucking operations involve a number of transactions and accounts that can be manipulated. There must be a separation of duties between persons handling deposits, billing, ordering, disbursements and reconciling bank statements. Regular internal and external audits should be conducted. As drivers, loaders and unloaders have access to customers' premises, the exposure to theft of customer property or customer identity theft increases.

Inland marine exposure

is from accounts receivable, computers, motor truck cargo, valuable papers and records, and warehouse operators' legal liability. Customers' property may be damaged while being transported due to overturn, collision, or theft. Cargo containers should have locks and appropriate alarm systems. Most truckers are subject to minimum cargo legal liability requirements. The bill of lading spells out the terms of the agreement that must be honored. Insurance coverage will vary, but may exceed these minimums if customer satisfaction is important to the trucker. Any items in storage must be marked to prevent incorrect release. Records should be duplicated and be stored off site.

Premise liability exposure

is extremely low due to limited public access to the premises. Cargo containers stored outside may present an attractive nuisance to minors. Fencing and lighting help reduce this exposure. Most off premises exposures relate directly to truck operations, such as loading and unloading, and are covered under the motor carriers' liability policy. Contracts may expose the operation to additional liability.

Environmental impairment exposure

can be high due to underground fuel tanks and waste disposal of fluids used for servicing and repairing trucks. All underground fuel tanks must meet state or federal regulations and be routinely tested for leakage. Contracts should be in place to dispose of all environmentally dangerous chemicals. Spill procedures must be in place to prevent the accidental discharge of sludge from water reclamation systems used in washing trucks.

Automobile exposure

is written on a motor carriers' policy. The exposure is very high because it includes loading and unloading of freight. There is considerable opportunity for contact with the client, who can be injured should the movers drop or overturn items being carried. Children may be present during loading or unloading operations at residences or schools, requiring additional caution. All drivers must have training in lifting and handling of items being carried. They must have a valid commercial driver's license (CDL) for the trucks being driven and the cargo being moved. MVRs must be acceptable and checked regularly. Manipulating a large semi-trailer rig in a residential or commercial area requires training and awareness of surroundings. All drivers must be well trained and attend continuing education courses to maintain and improve skill levels. Driving logs must be maintained, and drivers must not be permitted to exceed regulatory limits on their hours of service. Random drug and alcohol testing should be required. Vehicles must be maintained and records should be kept in a central location. Accidents can result in the spillage of diesel fuel or other operating fluids from within the truck, requiring cleanup.

Workers compensation exposure

comes from driving, loading and unloading customers' goods, and repair and maintenance activities. Drivers must operate in adverse traffic conditions such as inclement weather or road construction. They must be monitored to ensure that an appropriate amount of time is allocated for sleep. The operations of unloading and unloading have a very high potential for all forms of back injury, hernia, sprain, and strain losses from loading, unloading, and warehouse operations. The training, material handling devices, and equipment are important to review. Garage employees can be injured by vehicles falling from hoists, strains, sprains and other lifting injuries. Good housekeeping is critical to reduce injury from slips, trips, and falls. Burns, eye injuries, and respiratory problems can occur with the welding and painting. Dermatitis can result from employees coming into contact with harsh cleaning detergents. Repair areas should be properly ventilated. Proper safety equipment is required. If independent owner-operators are used, responsibility for workers compensation coverage must be specified by contract.

QUIZ: RISK OVERVIEW

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown.

All of the answers may be found in **Risk Overview** section you just studied. Feel free to go back and search for the correct answer if you have the slightest doubt.

Ephraim started as an owner-operator 10 years ago. His brother needed a job eight years ago, so Ephraim bought a second rig and hired him. By trying to help his family, he has built a small fleet with eight rigs. All employees are related by blood or marriage.

What is a common property exposure that should be controlled?

- a. Welding
- b. High stock piling
- c. Cooking
- d. Combustible dust

Truck lines never have an on-premises property of others exposure.

True

False

What is the primary crime exposure for a truck line?

- a. Theft of money and securities
- b. On-premises break-ins
- c. Employee dishonesty
- d. Robbery of drivers

Loading and unloading liability exposures are covered under which coverage form:

- a. Automobile Liability
- b. General Liability
- c. Workers Compensation
- d. Crime

What is the key to effective automobile loss control?

- a. Types of rigs driven
- b. Driver training
- c. Customer base
- d. Driver benefits

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again.

Pamela knows what to look for and knows the coverages to recommend for a truck line. Now she wants to know what questions to ask to show she understands the truck line industry. The ACORD application is helpful but she wants to ask all of her questions at one time so that she can make a complete submission to the insurance companies.

Pamela turns to the Truckers Minimum Recommended Coverage Questionnaire for the questions. She reviews the recommended listing of coverages and then selects only the minimum recommended coverages listed on the narrative.

Truckers Questionnaire based upon Minimum Recommended Coverage

Category: Trucking and Transit

Minimum recommended coverage:

Building, Business Personal Property, Business Income and Extra Expense, Employee Dishonesty, Money and Securities, Accounts Receivables, Computers, Motor Truck Cargo, Valuable Papers and Records, General Liability, Employee Benefits, Umbrella, Motor Carriers Liability and Physical Damage, Hired and Nonownership Auto, Workers Compensation

Other coverages to consider:

Earthquake, Flood, Cyber liability, Employment-related Practices, Environmental Impairment, Warehouse Operators' Legal Liability, Stop Gap Liability

GENERAL INFORMATION

Account: _____

Account number: _____

Agency: _____

Agency number: _____

Producer: _____

Producer number: _____

Legal business name(s)

WHY?

The correct legal business name is needed since policy conditions provide for payment only for the financial interest of the insured shown. If the named insured is incorrect, payment could be denied.

But being listed does not guarantee coverage unless the parties have an insurable interest

It's a good idea to confirm that the First Named Insured is the one who should receive all cancellation notices, audit reports, and other important insurance notifications.

Mailing address :

Type of entity:

- Individual Corporation Sub-S Corp. Partnership
- Joint Venture Not-for-profit Limited Liability Company

WHY?

The legal entity is used to determine who is an insured in the various commercial general liability coverages. If there are multiple named insureds, there can be multiple types of legal entities.

SIC Code(s): _____

NAICS Code(s): _____

Federal ID Number: _____

When did the applicant start business operations? _____

When did the present management assume control? _____

How many years' experience does the owner have in this type of business? _____

How many years' experience does the manager have in this type of business? _____

WHY?

The owner, manager or head mechanic are vital and critical to the successful continuing operations of an auto repair garage. If a manager or mechanic leaves to join a different garage or starts a new business, the customers may follow that individual.

Has the applicant ever been involved in a bankruptcy procedure? Yes No

If yes, explain including the type of bankruptcy and the filing date.

Names of subsidiary companies or joint ventures that are not part of this application:

WHY?

An insurance agent, like a risk manager, must identify potential gaps in coverage. A customer may be making assumptions about coverage for its various joint ventures and/or subsidiaries. Identifying these early could prevent potential gaps in coverage. It may open a dialogue on the topics and allow the customer to decide on whether to purchase coverage for its joint ventures and/or subsidiaries.

Important People	Name	Phone Number
Owner/Principal:	_____	_____
Other Decision Makers:	_____	_____
Plant and Grounds:	_____	_____

Financial: _____
Legal: _____
Claims: _____

WHY?

People are what make a business succeed. Successful risk management depends on knowing who can make decisions and who must be consulted. The managers of dispatch and garage operations can provide valuable insight into the actual operations of the company.

The applicant's primary operations are:

WHY?

A clear understanding of the customer's view of its business is vital for providing risk management services to the customer as well as working with the insurance company on the account.

The applicant's secondary and incidental operations are:

WHY?

These operations may be substantially different from the primary operations. They must be identified and any hazards evaluated. Entrepreneurs have varied interests and this is reflected in their secondary and/or incidental operations. Potential areas that are natural offshoots include opening their private garage operations to others or starting a commercial warehouse. Other operations could have no relationship to the trucking business at all, except for a relationship with a customer.

The applicant used to be involved in the following operations, but they have been discontinued:

WHY?

These operations may have ended but the related products and completed operations exposures remain active. If the named insured remains on the policy, the exposure must be considered still active. Some truck lines evolved from other operations. If so, the prior operations could still have residual liability exposures that require coverage.

The hours of operations are: _____

How many days is the applicant open per week? ____

Is this a seasonal operation? ____ Yes ____ No

If yes, what is the season? From _____ to _____

WHY?

Most truck lines are full-time operations. However, if a truck line suspends operations for certain months, suspending the auto coverage, other than comprehensive coverage, provides significant savings. If the entire facility is vacant during the time of suspended operations, the property hazards change, the loss potential increases, and additional extra precautions are necessary.

Does the applicant have a safety program? ____ Yes ____ No

If yes, answer the following:

Name of safety director: _____

Phone number of safety director: _____

Attach a copy of the safety program.

WHY?

The truck lines safety program must concentrate on the over-the-road exposures. The federal trucking guidelines should be considered a minimum for any truck line as far as road worthiness, driver training, time behind the wheel, and loading and unloading procedures. Safety programs are effective in reducing losses only when actually implemented. Helping an insured develop and implement an effective safety program can help prevent injuries, save lives and save money.

Does the applicant have a disaster plan? ___ Yes ___ No

If yes, answer the following:

Name of disaster coordinator: _____

Phone number of disaster coordinator: _____

Attach a copy of the disaster plan.

WHY?

Disaster plans must be in place that establishes what should occur in the event of a catastrophe such as a tornado, earthquake, hurricane, fire or cave-in. Pre-planning and training in advance of a disaster can prevent panic and reduce injuries.

What percentage of freight shipped is:

___% Perishable ___% Explosives ___% Corrosive or flammable chemicals

___% Liquid ___% Refrigerated ___% Furs/Jewelry ___% Other

Describe other:

WHY?

The types of commodities carried by the truck lines affect the underwriting and rating of the inland marine, auto and workers compensation coverages. For example, when carriers transport perishable or refrigerated items, there are additional time constraints that adversely affect losses. It is important to first determine the types of commodities due to the difficulty of securing insurance coverage on hazardous or unusual commodities.

QUIZ: GENERAL INFORMATION

Ephraim named his company the Close to Home Truck Lines because he only transports intrastate. He likes his drivers to be home at least five days a week, although there are some trips that require a driver to be out overnight. He has a small compound with three buildings, some storage, dispatching equipment, and a small garage operation. The repair garage was originally a part-time operation for his vehicles only. Recently, he has started working on other person's vehicles and is employing two full-time mechanics.

Is the garage operation covered under Close to Home Truck Lines' General Liability policy?

___ Yes

___ No

Ephraim is thinking about closing the business for a month so that everyone can travel to together for a celebration of their success. Which of the following coverage exposures will increase during that time off?

- a. Workers Compensation
- b. General Liability
- c. Automobile Liability
- d. Property

Where should a truck line concentrate its safety program?

- a. Property exposures
- b. On-premises exposures
- c. Over-the-road exposures
- d. Crime exposures

Close to Home is a general delivery operation. They have been approached about transporting specialty types of goods. If they expand to include refrigerated goods or hazardous goods, what coverage loss potentials might increase?

- a. Workers Compensation
- b. Inland Marine
- c. Automobile Liability
- d. All of the above

Close to Home operated a joint venture with a friend of Ephraim's. Is there coverage under the Close to Home policy for the joint venture?

- Yes
- No

BUILDING, BUSINESS PERSONAL PROPERTY AND BUSINESS INCOME

PROPERTY – BUILDING

Premises # _____ Building # _____

Location address:

WHY?

The location address must be exact since the coverage is specific to the location. If the location address is incorrect, a loss could be denied.

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps.

Does the applicant own the building? Yes No

If no, answer the following:

Who owns the building?

Is the applicant contractually obligated to insure the building? Yes No

If yes, attach a copy of the contract.

WHY?

Many buildings that appear to be owned are actually leased on a long-term basis. By the terms of the lease, the insured who is leasing may be required to provide the building property insurance. In those cases, the limit of insurance, the causes of loss and other coverage details are described in the lease. The lease should also address responsibility for the coverage on improvements and betterments. These factors affect the coverage and valuation decisions made by the insured.

If the building sustains a major loss, would the applicant replace it with the same type of structure? Yes No

If no, what would the applicant do?

WHY?

Property valuation and Limits of Insurance selected should reflect the anticipated actions of the insured following a loss. The insured can select from many options, but the selection should be made BEFORE the loss so that the policy coverage and limits match the selection. The valuation and limits decision reached with the initial application should be periodically reviewed since circumstances change over time.

If the building sustains a major loss, what new building codes would be imposed on the applicant in order to rebuild?

WHY?

Building codes are upgraded regularly. Since building owners cannot afford to constantly upgrade to meet new codes, they often do not apply to existing buildings until the building owner makes major changes due to updating or damages. Occasionally, codes even require a change in occupancy. Most property forms exclude any additional costs to comply with new code requirements, but the coverage is available through an endorsement.

Describe any barriers that would prevent the fire department from responding to a fire at the applicant's building in a timely manner. These could include locked gates, railroad crossings, and congested or narrow roads.

WHY?

Trucking operations often fence or enclose the property to prevent theft and vandalism. These enclosures can prevent fire departments from reaching the protected property. The owner should establish a plan for fire department access if or when needed.

Describe any barriers or bottlenecks that would prevent the efficient evacuation of the building.

How many fire extinguishers and smoke alarms are on premises? ____ Fire extinguishers ____ Smoke alarms

When was the building built? _____

When were the following systems last updated?

____ Heating ____ Electrical ____ Roof ____ Plumbing

WHY?

Electrical wiring should be in conduit and inspected regularly since sparks from frayed wiring can ignite fumes in the garage. Explosion-proof lighting fixtures should be used so fumes are not ignited by an electrical spark caused by breaks in standard lighting fixtures. All electrical boxes should be located away from the service bays to reduce the chance of explosions.

Have there been any additions to the building? ____ Yes ____ No

If yes, describe the addition including its date of completion.

WHY?

If a truck firm is located in a non-commercial area, it may be subject to zoning restrictions that may restrict or prevent rebuilding at the present location after a significant loss. The owners should establish a contingency plan for relocation and determine the costs involved with such a move.

PROPERTY – BUSINESS PERSONAL PROPERTY

Premises # _____ Building # _____

Location address:

WHY?

There may be several buildings within a single premises. All buildings should be clearly identified through a site map to ensure none are omitted and that values are correctly assigned. If the location address is incorrect, a loss could be denied.

Describe the business personal property.

WHY?

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps. One major concern is property of others. In most cases, property of others is not covered if not shown as a separate insured item.

Do the applicant's business personal property values fluctuate? ___ Yes ___ No

If yes, is the fluctuation ___ Monthly ___ Seasonal (from _____ to _____)

WHY?

Fluctuating business personal property values can lead to coinsurance and underinsurance issues. Value reporting forms and peak season endorsements can be valuable tools to resolve any problems.

Is the applicant's business personal property:

Highly flammable: ___ Yes ___ No

Susceptible to severe damage from: ___ Smoke ___ Heat ___ Water ___ Temperature

WHY?

Understanding business personal property's vulnerability to loss aids in risk management. Highly combustible property should be kept away from any heat-producing processes; it should be stored in well-ventilated rooms or vaults that are separate from materials that could increase the spread of fire.

Do any other occupancies in this building present a significant exposure hazard to the applicant? Examples are explosion, fire or chemical hazards but are not limited to just them. ___ Yes ___ No

If yes, describe.

WHY?

Other occupants of a building can be the major fire exposure for that location. Understanding the nature of the other occupancies is the first step in the risk management process for your customer. The other occupancies can't be forced to change but the insured has some options, including the option to move to a different location.

Would business personal property be damaged if the outside heat, light or power failed? ___ Yes ___ No

If yes, answer the following:

Describe what would be damaged and how quickly.

How is the heat, light or power transmitted to the applicant?

Will alarms sound or other notification be made if power fails or shuts off? ___ Yes ___ No

Are backup generators available? ___ Yes ___ No

WHY?

Trucking firms cannot operate without heat, electricity and water, so their business is dependent on utility services. The utility service coverage available in the unendorsed property coverage form is very limited so endorsements to provide coverage that is more specific should be encouraged.

Are detailed records kept of all inventory, machinery, fixtures or equipment including purchase date and price?

___ Yes ___ No

Are all items labeled and assigned inventory numbers? ___ Yes ___ No

WHY?

The time to prepare for a loss is before it occurs. If the insured understands the need for records to document their business personal property, underinsurance problems can be reduced and claim settlements can be handled more expeditiously.

Are paints and varnishes stored on premises? ___ Yes ___ No

If yes, how much and how is it stored?

Does applicant spray paint on premises? ___ Yes ___ No

If yes, is a UL-approved spray booth used for all spray painting? ___ Yes ___ No

Are flammable liquids such as paints, glues and varnishes used and stored? ___ Yes ___ No

WHY?

Most truck lines have a garage on premises for service, maintenance and repair of their owned vehicles.

Vehicle repairs involve gasoline and other flammable liquids. This creates significant potential for fire and smoke damage. Separating the repair facility from other operations is an important loss reduction technique.

Only a one-day supply of flammable liquids should be kept in the repair facility. Bulk storage of flammable liquids should be in approved cabinets, receptacles or areas designed for such storage. The fumes from these liquids are often more flammable than the liquid so the storage area must address this hazard as well. Employees should be trained in the correct storage, dispensing and handling of this property.

Does the applicant do welding or soldering on premises? ___ Yes ___ No

Is gasoline drained prior to any welding or soldering? ___ Yes ___ No

WHY?

Welding and soldering should be conducted away from all flammable liquids and fumes. It is best to conduct these activities away from any combustible susceptible materials.

Gas tanks or other parts of a vehicle containing fuel should be removed from the vehicle, completely drained and then washed to eliminate fumes before any welding or soldering in order to prevent fire and explosion.

How is drained gasoline stored?

WHY?

Drained gas should never be placed in an open container. It should be placed in a UL approved flammable liquids container and disposed of in an environmentally safe manner.

BURGLAR ALARM

Describe any burglary exposures beyond what is usual to this type of business.

Describe any special features to the burglary alarm or safe or vault systems that are not noted elsewhere.

WHY?

An alarm is only as effective as the response to the alarm. In addition to making an audible sound at the location, it should also notify the police department or an alarm monitoring company.

PROPERTY – BUSINESS INCOME

Premises # _____ Building # _____

Location address:

What expenses would continue during any business suspension?

\$ _____ preceding 12 months \$ _____ current year

WHY?

It is important for an insured to determine and distinguish between expenses that continue, those that do not and others that are elective or voluntary. Payroll expense is an example of an expense that can be included, included with conditions or totally excluded.

How many days would the applicant need in order to resume operations? _____

WHY?

There is coverage for only 30 additional days after the business resumes normal operations. The insured should consider how long it may take to rebuild its clientele after an extended business interruption. If it cannot accomplish this within 30 days, purchasing coverage for a longer period should be considered.

Would the applicant's net income equal pre-loss levels as soon as the operations resumed? ___ Yes ___ No

If no, how many days would be needed before the income would return to the pre-loss level?

___ 30 ___ 60 ___ 90 ___ 120 ___ 150 ___ 180 ___ 210 ___ 240 ___ 270 ___ 310 ___ 340 ___ 370

WHY?

Regular customers will quickly take their business elsewhere if the garage is out of business for an extended time. Regaining those customers as well as attracting new ones takes longer than 30 days. The insured should estimate the number of customers that would be lost and the length of time to replace them. With this information, an insured can choose an extended business income time period and limit of insurance.

Describe all pieces of equipment or type of operation that would cause a suspension of operations until it was replaced, repaired or resumed.

Are there customers upon whom the applicant is dependent for continued operations?

___ Yes ___ No

Note: If yes, consider using the business income for dependent properties endorsement.

WHY?

Some truck lines have one or two large customers that account for more than 50% of their annual receipts. If one of those customers no longer needs the truck line services, the revenues of the truck line will drop substantially. The Business Income from Dependent Properties coverages can protect the truck line when the revenue loss is due to a covered property loss at the customer's premises. The coverage is available even if the insured does not carry any other type of business income coverage.

QUIZ: BUILDING, BUSINESS PERSONAL PROPERTY AND BUSINESS INCOME

Close to Home has a fence that encloses all of the buildings plus the vehicle parking area. The gate is secured with a padlock and two guard dogs are unleashed after everyone leaves for the night. Ephraim is discussing building a new garage in the compound because of the additional revenue that is being generated and the need for additional space. Close to Home entered into a "just in time" agreement with a manufacturer in the northern part of the state in which Close to Home delivers products to retail stores throughout the state. This agreement represents 60% of their trucking revenue. The other 40% of their revenues are from the pickups they make from the delivery point.

The fencing and guard dogs can reduce loss potential from vandalism and theft but increase the loss potential from:

- a. Fire
- b. Workers compensation
- c. Employee dishonesty
- d. Auto liability

What is an effective property loss control technique for garage operations when dealing with flammable liquid storage?

- a. Restrict use to certain individuals
- b. Keep the storage separate from main operations
- c. Do not pour down drains
- d. Don't permit flammable liquids on the premises

When welding a gas tank, what must always be done?

- a. Drain the tank and wash the vehicle
- b. Weld in a specially prepared room
- c. Remove, drain and wash the tank
- d. Provide adequate ventilation

Since 60% of Close to Home’s revenue comes from one manufacturer, what coverage might Pamela recommend?

- a. General Liability Additional Insured
- b. Property of Others Coverage
- c. Business Income From Dependent Property
- d. Fiduciary Liability

There are three buildings in the enclosure but only two buildings listed on the current policy. What coverage is on the unlisted building?

- a. The same coverage as on the listed buildings
- b. No coverage
- c. Building coverage but no business personal property coverage
- d. Business personal property coverage but no building coverage

INLAND MARINE – ACCOUNTS RECEIVABLE

Premises # _____ Building # _____

Location address:

What is the average monthly amount of receivables over the last 12 months? _____

What is the maximum monthly amount of receivables during the last 12 months? _____

What is the estimated cost to re-create all accounts receivable records? \$ _____

WHY?

This coverage is subject to an 80% coinsurance requirement, so an adequate limit is important. Accounts receivable coverage includes the cost of recovering the accounts as well as the value of the accounts receivable. The valuation for the accounts receivable should include any costs anticipated to re-create the records. These include retrieval, employee time (including overtime), and other needed expenditures to restore the accounts receivable.

Describe the present disaster plan for reconstruction/recreation of accounts receivables.

Where are accounts receivables records stored?

WHY?

Accounts receivable coverage includes the cost of recovering the accounts as well as the value of the accounts receivable. The valuation for the accounts receivable should include any costs anticipated to re-create the records. These include retrieval, employee time (including overtime) and other needed expenditures to restore the accounts receivable.

What percentage of the records is duplicated and stored separately? _____%

How long are duplicates kept? _____

Where and in what type of receptacles are the duplicate records stored?

WHY?

A critical risk management technique is to maintain a complete copy of company financial records off-premises

This information is important in helping a business resume normal operations. It provides the documentation used for premium reductions.

INLAND MARINE – COMPUTERS

Premises # _____ Building # _____

Provide values for the following owned and leased items at this location:

	ACV	RCV
Owned computer hardware	\$ _____	\$ _____
Leased computer hardware	\$ _____	\$ _____
Owned and leased hardware in transit	\$ _____	\$ _____
Proprietary software	\$ _____	\$ _____
Purchased software	\$ _____	\$ _____
Software-related books, forms, documents	\$ _____	\$ _____
Software in transit	\$ _____	\$ _____
Fax machinery	\$ _____	\$ _____
Telephone systems	\$ _____	\$ _____
Photocopiers	\$ _____	\$ _____
Other	\$ _____	\$ _____

Describe other.

WHY?

Many truck lines use computer devices in their trucks to monitor driver performance, provide tracking information and more. While there may be some coverage under the auto policy, the Inland Marine Computer coverages are usually broader and more flexible. They also provide coverage specific to the computer such as breakdown coverage and virus protection.

It is important to list the items and their values that are to be covered under a computer policy since all those items can then be removed from the business personal property values. Coverage under a computer policy is broader and duplicate coverage does not result in double payment - just double premium!

Will the applicant significantly change its computer set-up if a loss occurs? ___ Yes ___ No

Describe planned modifications and cost.

WHY?

If the insured has a plan to replace computers, it should be shared with the insurance company and the policy endorsed accordingly. Advance agreements make loss settlements easier for all parties.

INLAND MARINE – GOODS IN TRANSIT

Describe owned property or property of others that is transported by any mode of transportation, including by bicycle, car, truck, train, air or boat or sub-space transport.

WHY?

Most trucks lines specialize in transporting certain types of property. Since premium charges vary based on the type of property hauled, it is important to be as precise as possible in describing the types of cargo regularly transported.

Is there any transport of live animals? ___ Yes ___ No

If yes, describe animals and method of transport.

WHY?

Damage to live animals is usually excluded from transit policies unless coverage for them is added by endorsement. It is important to identify the exposure and any related coverage gaps. If an exposure exists, the insured should be made aware of the exclusion and the cost of filling the coverage gap through endorsements or specialty coverage forms. If applicant transports goods in its own vehicles, describe alarms and attach copy of certificates.

If applicant transports goods in its own vehicles, are goods kept in locked conveyance (such as trunk or truck body) at all times? ___ Yes ___ No

Do employees transport applicant's goods in their own vehicles? ___ Yes ___ No

If yes, answer the following:

Describe the types of items transported.

What is the maximum value? \$_____

Does the applicant transport any explosives or blasting caps? ___ Yes ___ No

If yes, describe in detail the precautions taken to insure safe passage.

WHY?

Many insurance companies require insureds to keep goods in transit in locked compartments at all times or the coverage is void. It is important to understand how the client operates so you can point out this potential coverage gap or have the insured pay additional premium to remove the warranty.

Transporting explosive and blasting caps requires federal government permits and licensing. The insured should have all necessary permits and truck labeling required. In addition, all drivers must have the Hazardous Material (Haz-Mat) licensing.

Alarm systems may be required in order to obtain coverage. It is important to accurately describe any alarm since it may become part of an enforceable coverage warranty.

Does the applicant transport red label products in its own vehicles? ___ Yes ___ No

If yes, describe techniques used to keep temperature controlled.

Does the applicant transport chemicals in its own vehicles? ___ Yes ___ No

If yes, describe precautions to prevent overturn.

WHY?

This material requires special handling techniques to prevent explosions. All drivers must be licensed to transport Haz-Mat materials and must transport the material following applicable federal and state guidelines.

Does the applicant use refrigerated trucks to transport goods? ___ Yes ___ No

If yes, answer the following:

What is the farthest a refrigerated truck would travel?

Are there alarms in the truck to notify the driver of temperature fluctuation? ___ Yes ___ No

Are run times staggered? ___ Yes ___ No

Are routes and schedules changed randomly? ___ Yes ___ No

WHY?

Coverage is available to cover the failure of the refrigeration equipment but there are usually requirements regarding the maintenance and monitoring of the equipment.

All companies transporting goods depend on their drivers. Periodic surprise inspections and regular monitoring of logs, MVR checks and training must be conducted to keep drivers aware of the company's requirements and expectations.

INLAND MARINE – SIGNS

Premises # _____ Building # _____

Location address: _____

Is this premises owned? ___ Yes ___ No

Is the sign neon, fluorescent, automatic, mechanical or electric? ___ Yes ___ No

Note: If the answer is no, the sign is not eligible for inland marine coverage. If coverage is desired, a property form should be considered.

Describe any unusual sign features or vandalism exposure not addressed elsewhere.

INLAND MARINE – VALUABLE PAPERS

Premises # _____ Building # _____

Location address: _____

Can valuable papers be replaced? ___ Yes ___ No

What percentage will need to be replaced? _____%

What is the estimated cost to re-create? \$ _____

WHY?

The most valuable documents for a truck line are their bills of lading and operating permits. Other valuable papers may also be present and include property deeds, service contracts, government contracts, grants and similar papers important to the continuation of operations.

If a valuable paper or document cannot be replaced with one of like kind or quality, it must be specifically described on the policy. If not scheduled, it is not covered. Describe the present disaster plan for reconstruction/re-creation of valuable papers.

Where are valuable papers stored?

What percentage is duplicated and stored separately? _____%

How long are duplicates kept? _____

Describe the location and receptacle where the duplicate valuable papers are stored.

WHY?

The insured should do an assessment of its valuable papers. A determination is first made as to which documents are valuable. The insured then determines which documents can be replaced or re-created and which are irreplaceable. Replaceable documents are valued and included as a single limit for coverage and the irreplaceable items are individually valued and scheduled.

Duplicate valuable papers should be kept for as long as the originals exist.

No credit is given and no warranty is imposed for the duplication of valuable papers. However, by duplicating the papers, the insured can return to full operations more quickly after a loss.

QUIZ: INLAND MARINE

Ephraim gives Pamela the following Inland Marine coverage information:

Drivers are not permitted to collect money, so all collection is through invoices. The accounts receivable information is entered on the computer in the main office using a prepackaged bookkeeping software program. Each rig is equipped with computers for communication and monitoring purposes. The cargo is general with no unusual theft potential and nonrefrigerated. The bills of lading are kept in the main office along with all permits, licenses and driver background checks.

Which of the following is not included in the accounts receivable coverage?

- a. Cost of using outside help to reproduce the records
- b. Overtime expense pay for employees to reproduce the records
- c. Value of unrecoverable accounts receivables
- d. Employee payroll for entering of accounts receivable

Computer policies can cover equipment on premises, on a vehicle and off premises.

- True
- False

The president of Ephraim’s major customer asks him to pick up a teacup corgi and bring it to him on the next regular run. If the corgi is hurt or lost, is there coverage under the Motor Truck Cargo policy?

- a. No, because damage to live animals is excluded from coverage
- b. Yes, the dog is considered property and is covered
- c. No, because this is the not the property regularly transported by Close to Home

Ephraim does not have duplicates of most of his valuable papers; if there is a loss, are the papers without duplicates covered?

- Yes
- No

Ephraim has a book on transport that is irreplaceable but is worth \$10,000 based on a certified appraiser. How can he cover it under the Valuable Papers coverage?

- a. Include the value in the valuable papers limit
- b. Specifically schedule the book on the Declarations page
- c. It cannot be insured under Valuable Papers coverage because it cannot be replaced

CRIME – EMPLOYEE DISHONESTY

PRIOR POLICY

Provide the policy number, carrier, limits and the inception and expiration dates of any policy that provided employee dishonesty coverage for the applicant over the last five years.

Policy number	Carrier	Employee	dishonesty limit	Inception date	Expiration date
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Note: This information is needed when a loss is discovered in the current policy year for an occurrence in prior years

WHY?

Note: This information is needed when a loss is discovered in the current policy year for an occurrence that took place in prior years.

The Employee Dishonesty policy is unusual since it refers to a previous policy. If a loss occurs, the settlement may depend on information from the previous policy.

EMPLOYEES

Does the applicant employ any person who has committed a theft or dishonest act? ___ Yes ___ No

WHY?

Note: These employees are excluded from coverage and should not be included for rating purposes.

Are all potential employees screened prior to employment? ___ Yes ___ No

Are references required and verified? ___ Yes ___ No

WHY?

The insured must be made aware that the policy does not cover losses caused by any individual who has previously committed a dishonest act. This coverage gap could be significant and expensive for the insured.

Does the applicant contract with another firm to lease employees? ___ Yes ___ No

Does the applicant lease employees without using an outside agency? ___ Yes ___ No

Does the applicant use volunteers? ___ Yes ___ No

WHY?

Note: Temporary leased employees who are substituting for regular employees are covered; others, including volunteers, are excluded and should not be included for rating purposes.

Truck lines may directly lease an employee without going through a leasing agency. These employees are considered independent contractors and are not covered under most Employee Dishonesty coverage parts. This is a serious coverage gap that should be brought to the insured's attention. Alternative risk approaches can then be developed.

Smaller trucking firms may have family or friends help out in the office without compensation when an owner or other employee must drive because of customer requirements. These helpers are considered volunteer workers and are not covered under most Employee Dishonesty coverages. This coverage gap should be identified because coverage endorsements are available to address the circumstance. IMPORTANT: The persons most trusted are usually the ones who can steal the most.

MANAGEMENT CONTROLS

Does a person outside of the applicant's accounts payable unit verify the accuracy of all monthly paid invoices?

___ Yes ___ No

Are invoices stamped "paid" at the time checks are issued to prevent duplicate checks from being issued to fictitious persons? ___ Yes ___ No

Are auditor-suggested improvements in internal controls implemented? ___ Yes ___ No

Is there adequate separation of duties between employees who:

Receive money and keep books? ___ Yes ___ No

Disperse money and keep books? ___ Yes ___ No

Reconcile bank accounts and deposit or withdraw? ___ Yes ___ No

WHY?

Allowing one person to control all of a company's finances is unwise. It creates the potential for an employee to misappropriate funds.

Smaller operations may not be able to financially justify more than one employee handling the books, accounts and records. In these situations, using a reputable outside accountant or bookkeeping firm may be more cost effective than having one employee performing these functions without supervision.

CRIME – MONEY AND SECURITIES

Premises # _____ Building # _____

Location address: _____

INSIDE THE PREMISES

Are money and securities kept in a locked safe or vault or other receptacle? ___ Yes ___ No

If yes, describe.

If no, where are they kept?

Does this location require a different limit from the rest of the locations? ___ Yes ___ No

If yes, what is the limit for this location? \$ _____

WHY?

A separate survey is needed for each premises where there is money and securities because the exposures and protective devices will vary by premises. Safes and receptacles, alarms, and amounts of money are unique to each location.

Locked receptacles are great for preventing casual thievery and they also help minimize other types of losses. Safes or other similar receptacles can protect money and securities during fire, windstorm and other causes of loss.

A blanket limit is used on all locations unless specifically stated otherwise. This affects the rating and may also require the use of an endorsement.

Does applicant have any peak periods of cash on hand? ___ Yes ___ No

(Example: Churches/synagogues – high holidays; nonprofits – fund raising events, etc.)

If yes, amount \$ _____ Time period(s) _____

WHY?

The on-premises money coverage does not apply to money taken home by the owner or an employee for safekeeping. This coverage ends when the money is removed from the business premises.

Are all cash registers located in well-lit areas that are easily seen from the street and/or other parts of the premises?

___ Yes ___ No

Are customers' credit/debit cards checked for validity? ___ Yes ___ No

Does the applicant accept personal checks? ___ Yes ___ No

Does the applicant have a safe deposit box? ___ Yes ___ No

If yes, answer the following.

Where is the safe deposit box? Name and address of depository:

What is the minimum value of its contents? \$ _____

What is the maximum value of its contents? \$ _____

WHY?

Identifying peak times for cash amounts on hand alerts you to the need for a peak season endorsement or a possible increase on the overall limit on money and/or securities

Establishing and following a single, uniform money handling procedure can reduce problems. Haphazard money handling procedures can cause either too much or too little money to be on hand

OUTSIDE THE PREMISES

What is the maximum amount of money or securities carried off premises by any one person? \$_____

Do these individuals vary:

the time of day at which they go to the bank? ___ Yes ___ No

the conveyance used to go to the bank? ___ Yes ___ No

the route they take to the bank? ___ Yes ___ No

WHY?

Individuals who regularly deposit money should periodically change routines and routes when going to the bank so that criminals cannot "lie in wait" for them.

Do salespersons, truck drivers, or any other employees keep money or other valuables away from premises at night or on weekends? ___ Yes ___ No

If yes, who is permitted to do so and what is the maximum amount of money exposed?

Do salespersons, delivery persons or others collect money? ___ Yes ___ No

If yes, what are the average and the maximum amounts any person may carry?

\$_____ Average \$_____ Maximum

Does the applicant use an armored car service? ___ Yes ___ No

If yes, describe.

WHY?

Money and securities coverage applies off premises at a residence only if the employee transporting the covered property stays with the property at the residence. If the employee leaves the property unattended and it is stolen, coverage could be denied. Coverage is intended to apply only when covered property is being transported – not for overnight or extended periods at temporary locations.

EXTORTION

Does the applicant or any of the applicant's officers, partners, managers, or members work outside of the United States, Puerto Rico or Canada? ___ Yes ___ No

If yes, list the countries.

WHY?

Extortion policies limit coverage to the United States, Canada and Puerto Rico unless endorsed to extend to other areas. The NAFTA, CAFTA and pending South American Trade Agreements may have employees working and traveling more frequently within all of the Americas, so a listing of countries is important to avoid coverage gaps. If specific countries are listed, consider including contiguous countries due to travel problems that might cause deviations from established travel plans.

Has the applicant ever received extortion threats? ___ Yes ___ No

If yes, describe in detail. Include dates and resolution.

Are there procedures in place in case of an extortion attempt? ___ Yes ___ No

If yes, describe.

WHY?

The type of protection needed by an individual depends on where they are traveling and why they are considered at risk. A risk assessment must be made for each job position and an appropriate amount of security assigned to protect each individual in that position.

Preplanning is an important part of prevention and also of minimizing loss exposure. Employees should have a procedure to follow if they receive an extortion demand via phone call or e-mail. The most important part of the plan is to have a phone number for an employee to contact and to have the person at that phone number equipped and trained to take over the problem.

QUIZ: EMPLOYEE DISHONESTY, MONEY AND SECURITIES AND EXTORTION

Millie, Ephraim's sister-in-law, helps out in the office when her husband is on the road. She isn't paid but does provide a lot of help in invoicing and any other odd job that is needed. Revenue is fairly steady throughout the year except for October. Their major customer doubles their output in October so Close to Home must work overtime to handle the deliveries. In November, this ripples through invoicing and receipts causing a doubling of money and securities exposure in the office.

This same major customer is exploring the possibility of sending shipments across the border to Mexico. The areas he is considering have had some kidnappings so Ephraim is asking Pamela questions about extortion coverage.

One day Millie doesn't show up for work. Ephraim's brother is distraught. When Ephraim's bookkeeper notifies him that \$10,000 is missing from the checking account, Ephraim files an Employee Dishonesty claim. Is there coverage?

- a. No, because family members are not covered under Employee Dishonesty
- b. Yes, because the theft was part of a business activity
- c. No, because volunteers are not covered under Employee Dishonesty
- d. No, because the loss was discovered by the bookkeeper

How should Pamela suggest Ephraim choose his money and securities limit?

- a. Use the anticipated average of the next 12 months for the limit
- b. Use the anticipated exposure for the month of November as the limit
- c. Use an 11-month average limit plus a peak season endorsement
- d. \$10,000 is always a safe limit

What country is not included in the standard Extortion policy?

- a. United States
- b. Puerto Rico
- c. Mexico
- d. Canada

If Ephraim lists Mexico and Panama on his Extortion policy, what countries are covered?

- a. Mexico and Panama only
- b. Mexico, Panama and their immediate neighbors
- c. Mexico, Panama, United States, Canada and Puerto Rico
- d. Mexico, Panama and their immediate neighbors including the United States

The bookkeeper takes the receipts to the bank every day. What precautions should she take to prevent robbery?

- a. Use an armored car service
- b. Always have the police escort her
- c. Vary the time she leaves and her route to the bank
- d. Always deposit after hours

LIABILITY – GENERAL LIABILITY

ON PREMISES EXPOSURES

Describe the applicant's on-premises operations.

Describe how the applicant disposes of waste.

WHY?

Truck lines having repair operations must follow approved EPA guidelines for the disposal of gasoline and oil. Motor oil, gasoline, tires and batteries must be disposed of in accordance with Environmental Protection Agency (EPA) guidelines. The insured should have a written contract with an EPA approved company to handle all disposals. If there is no contract in place, the insured may be tempted not to adhere to the guidelines.

Does the facility comply with the National Fire Protection Association's Life Safety Code concerning the number, size and arrangement of exits? ___ Yes ___ No

If no, explain.

WHY?

Regardless of the size of an operation, there are concerns on how employees and other can exit the premises during an emergency. Exits must be adequate in number and properly positioned and marked.

Employees should know how to safely exit a structure and how to lead others out.

Does management conduct regular fire drills? ___ Yes ___ No

Are large panes of glass, both inside and outside, properly marked or etched to prevent accidental contact? ___ Yes ___ No

WHY?

Fire drills are important in larger facilities. What appears simple during normal operations is very difficult with the regular lighting out and alarms sounding. Fire drills reduce the chance of panic and injuries in a real fire.

Does the applicant own, jointly own, hire, or lease any watercraft or aircraft? ___ Yes ___ No

WHY?

Note: If yes, there is limited or no coverage for these operations under Commercial General Liability policies. Consider completing the appropriate Aircraft Ownership or Ship or Boat Ownership Supplement.

WHY?

It is important to identify gaps in coverage, since the general liability policy excludes most watercraft and all aircraft liability exposures.

Does the applicant provide any child or adult care on premises? ___ Yes ___ No

Note: If yes, consider including the day care supplement.

Is food handled on premises? ___ Yes ___ No

If yes, answer the following:

Are food handlers required to use proper hygiene? ___ Yes ___ No

Has the establishment been cited by the Board of Health? ___ Yes ___ No

If yes, explain:

Does the insured store cleaning materials in a separate area distant from the food storage area?

___ Yes ___ No

WHY?

Food poisoning can develop simply from having snacks available for workers. All food-related exposures must be identified and evaluated.

What are the percentages of types of floor covering in public areas?

___% Wood ___% Linoleum ___%Tile ___% Carpet ___% Other

Describe other.

WHY?

Slips and falls are the leading cause of premises losses. Floor coverings contribute significantly to losses if not properly maintained. Safety recommendations to prevent slip and fall losses vary depending on the type of floor covering used.

How many exits are available? _____

Are all exits free of obstruction, lighted and marked with exit signs? ___ Yes ___ No

Is there emergency lighting? ___ Yes ___ No

Are all exits equipped with panic door hardware? ___ Yes ___ No

If no, are all exits kept unlocked during business hours? ___ Yes ___ No

WHY?

Separate customer waiting areas should be provided. These areas should be comfortable and free of obstructions and slip and fall hazards. Exits must be clearly marked with doors unlocked or equipped with panic hardware for easy escape. Escape should lead directly to the outside and not through the work area. Customers should never be permitted in the work area.

PARKING LOTS AND SIDEWALKS

Does the applicant own or rent parking facilities that are available for clients, customers, employees, and/or the general public? ___ Yes ___ No

If yes, describe the parking facility(ies).

Length Width Number of stories Number of spaces

Attendant (Y/N) Proximity to applicant premises

If yes, answer the following:

Does the applicant charge a fee? ___ Yes ___ No

If yes, consider completing the Garagekeepers questionnaire.

Does the applicant have vehicles towed when improperly parked on the premises? ___ Yes ___ No

Does the applicant hire a towing company to remove vehicles parked on the premises without permission?
___ Yes ___ No

If yes, is there a contractual agreement with the towing company? ___ Yes ___ No

If yes, attach a copy of the contractual agreement, if any, with the towing company.

Does the towing company provide insurance to meet its contractual agreement? ___ Yes ___ No

Does the applicant require a certificate of insurance from any towing company that provides services on the premises?
___ Yes ___ No

If yes, attach a copy.

Have arrangements been made for snow and ice removal from the parking lot and walkway? ___ Yes ___ No

WHY?

Areas for customers to drop off and pick up their vehicles should be clearly marked and separated from other customer parking areas and repair operations.

OFF-PREMISES

Do applicant employees interact regularly with customers off-premises? ___ Yes ___ No

If yes, answer the following:

Describe the clientele by percentage.

___% Residential ___% Commercial ___% Institutional ___% Public

WHY?

Truck drivers perform their duties off-site and are observed by their supervisor when dealing with customers. This presents opportunities for both inappropriate and criminal interaction. Customers expect the truck line to employ only safe and competent employees and will hold that employer responsible if injured by a driver.

Truck drivers making deliveries to residences should be subject to the greatest scrutiny because they are working with the most vulnerable customers. Elderly or disabled persons and stay-at-home parents are often alone when receiving deliveries. Opening a door to a truck driver should not be a hazard to one's health.

Do employees travel alone? ___ Yes ___ No

Are employees screened for criminal background? ___ Yes ___ No

Describe the procedure for training, monitoring and supervising all such off-premises employees.

WHY?

Truck drivers need as much, if not more, training, monitoring and supervision than on-site premises employees. This includes not only the driving aspects of the job but also the customer interaction portion as well.

CONTRACTUAL EXPOSURES

Does the applicant lease the premises? ___ Yes ___ No

If yes, answer the following:

Is there a written waiver-of-rights provision for damages to property? ___ Yes ___ No

Is there a written waiver of subrogation? ___ Yes ___ No

Is there a written hold harmless agreement? ___ Yes ___ No

Are maintenance responsibilities delineated clearly in the contract? ___ Yes ___ No

Indicate under which of the following agreements the applicant has assumed liability of others:

- ___ Lease agreements for real estate ___ Lease agreements for signs, refrigerators, etc. ___ Sidetrack agreements
- ___ Contracts for electric power, steam, etc. ___ Easement agreements ___ Elevator maintenance
- ___ Other contracts such as construction, installation, compliance certificates, etc.

Attach a copy of each contract and/or agreement indicated above.

Is the applicant’s insurance policy required to be primary under any of the indicated contracts? ___ Yes ___ No

WHY?

Most businesses use lease agreements. These contracts normally involve an indemnification clause. Not all indemnification agreements are equal so they should be reviewed to prevent potential gaps in coverage.

Insureds regularly sign contracts, expecting them to be covered under their liability policy and are then surprised when there is no coverage. It is important that the insured understand that not all contracts or circumstances are covered.

SUBCONTRACTORS

Does the applicant regularly use subcontractors? ___ Yes ___ No

If yes, answer the following:

Describe the type of work the subcontractors perform.

Describe procedures used to monitor the timely receipt of certificates of insurance.

Is there a written contract? ___ Yes ___ No

If yes, attach.

If no, describe the terms and agreements between the applicant and the subcontractor.

WHY?

A written contract prevents the subcontractor from being considered an insured's employee. Subcontractors are hired for their expertise. The insured and the subcontractor should always have a contract that specifies responsibility and clearly defines the role of the subcontractor. Open-ended contracts or no contract at all can substantially complicate a loss.

Certificates of insurance are necessary for audit purposes and proper risk transfer. Under specific circumstances, lack of a certificate of insurance causes subcontracted work to be rated as if it were performed by the insured. Premium earned as a result of such work will be charged to the insured instead of to the subcontractor.

PERSONAL AND ADVERTISING INJURY EXPOSURES

Does the applicant advertise its products, goods or services? ___ Yes ___ No

If yes, what media are used and what is that medium's percentage of the overall advertising budget?

___% Television ___% Direct mail ___% Radio ___% Signs ___% Newspaper

___% Yellow Pages ___% Magazine ___% Internet ___% Other

Describe other.

WHY?

All media advertising should be arranged through a qualified advertising agency or a company that specializes in advertising. These companies should have professional coverage to protect the insured if there is a problem with the ad content.

Does the applicant have a web page? ___ Yes ___ No

Does the applicant use an advertising firm and/or outside web designer? ___ Yes ___ No

WHY?

Web sites are an important part of business identification today. If the material on the Web site is considered informational only, it is not considered advertising. However, if the Web site is an advocacy or sales tool, the Web site is considered advertising. This distinction will affect the coverage.

An outside Web site designer or firm should have professional coverage for any advertising they place on a Web site.

QUIZ: GENERAL LIABILITY

Close to Home does not permit their drivers to load or unload any freight. Ephraim believes this reduces the chance of driver injury, damage to freight and damage to customer's employees. All deliveries are to commercial operations. They also limit access to the premises with the fenced enclosure.

Does Close to Home need to purchase a General Liability policy?

- No, the automobile policy is sufficient
- Yes, there is a premises exposure and employee/customer interaction exposures
- Yes, but only for the garage operations
- Yes, because of the guard dogs

If one of Ephraim's drivers disobeys orders and unloads freight to the loading dock and then helps a customer by taking it into the warehouse, is there coverage if bodily injury or property damage occurs because of that driver's actions?

- No, because the employee is operating without permission
- Yes, but only if the actions were unintentional
- Yes, because Close To Home is responsible for supervising employees
- No, because loading and unloading is covered under the automobile policy

An independent contractor picks up all of the waste from Close to Home. What information should Ephraim have on file from this contractor?

- Brochure explaining the services offered
- Signed contract and certificate of insurance
- List of the contractor's employees
- List of the contractor's customers

Pamela is surprised to learn that Ephraim owns a boat that is registered in the name of Close to Home. What should she do?

- a. Tell Ephraim that there is no coverage under the Close to Home policies
- b. Explain that he may have a coverage gap and request additional information
- c. Say nothing because she has no market for boat ownership
- d. Advise Ephraim to license the boat in his own name

Ephraim is considering a contract to provide local residential delivery services for an appliance store. Will this increase or decrease his general liability exposure?

- a. Increase it due to the vulnerability of the delivery customers
- b. Decrease it because there is less traffic in most residential neighborhoods
- c. No impact because all driver exposure is under the automobile liability

LIQUOR

Does the applicant ever serve, sell, or furnish alcoholic beverages to employees, customers, or the general public? ___ Yes ___ No

If yes, is the applicant in the business of selling, distributing, or serving liquor? ___ Yes ___ No

WHY?

Note: If yes, there is no liquor coverage under the General Liability policy. Consider completing the liquor liability questionnaire.

If no, what precautions does the applicant take to prevent guests from driving when they are intoxicated?

OTHER PROFESSIONAL SERVICES

Is there any exposure for professional services performed by the applicant's own personnel or through the use of subcontractors (i.e., beauty/barber shops, accounting, notary public, druggists, data processing, etc.)? ___ Yes ___ No

WHY?

Note: If yes, consider completing the Professional Liability Questionnaire.

LIABILITY – EMPLOYEE BENEFITS

Does the applicant provide benefits to employees? ___ Yes ___ No

If yes, describe the benefits offered.

___ Health ___ Life ___ Disability ___ Stock purchase ___ Pension ___ 401(k) ___ Other

Describe other.

WHY?

Any employee benefit plan must be clearly written, published and available for all employees to review. Guidelines must be precise as to eligibility and enrollment procedures as well as details concerning termination of plan eligibility.

Are the benefits available to all employees? ___ Yes ___ No

If no, who qualifies and how are the qualifications published?

Who administers the benefit programs?

If an outside firm provides services, provide a copy of the contract.

What is the employee turnover rate? _____

Is there an established procedure for termination of an employee that includes an explanation of the benefits along with signed documentation? ___ Yes ___ No

WHY?

Most employee benefits lawsuits come from the termination process. This means that the higher the turnover rates, the greater the likelihood of a mistake in administering the plan that could result in a lawsuit. The insured must have a written step-by-step procedure consistently followed and documented with each termination. The procedure must include complete notification to the employee of his or her rights and responsibilities concerning continuation of benefits. All information should be in writing with important time frames highlighted so that the employee can refer to it at any time.

LIABILITY – COMMERCIAL UMBRELLA

List all policies that provide liability coverages for the applicant.

Insurance coverage	Primary carrier	Limits
_____	_____	_____
_____	_____	_____
_____	_____	_____

WHY?

Umbrella coverage is only over the policies that are listed in the underlying coverage section of the umbrella policy. No umbrella coverage applies over an underlying policy that has not been listed.

List countries where the applicant has locations and/or where employees regularly travel.

WHY?

Umbrella policies have territorial definitions that may differ from those of the underlying policies. Listing the countries helps to identify the possible need for a territorial endorsement.

If there are pickups or deliveries that must pass through Mexico, an international policy should be considered due to the Mexican auto insurance regulations.

UNDERLYING GENERAL LIABILITY INFORMATION

List all of the exclusions attached to the underlying policy(s).

List or describe any special amendments to the underlying policy(s).

Check the coverages included.

- Employee Benefits Care Custody and Control Product Recall Expense
 Employment Related Practice Underground Storage Tank Stop Gap

WHY?

The Umbrella is a separate policy and requires similar endorsements to match the underlying policies and their endorsements.

The Umbrella Policy must be modified with special amendments that match those of the underlying primary policies if coverage is to apply at all limits.

The Umbrella policy may not provide coverages for these additional coverages even if they are shown on the Umbrella policy as underlying coverage. Umbrella policy language and coverages are not standardized and this can lead to a coverage gap that is not discovered until after a loss occurs.

Is there owned, hired or leased watercraft exposure? Yes No

If yes, describe watercraft including location and duration of exposure.

Is there owned, hired or leased aircraft exposure? Yes No

If yes, describe aircraft including location and duration of exposure.

What are the total annual receipts? \$ _____

What is the annual cost for subcontractors: \$ _____

WHY?

These are significant exposures that need to be brought to the insurance company's attention. If coverage is not needed, the exposures should be excluded.

UNDERLYING AUTOMOBILE LIABILITY INFORMATION

List all of the exclusions attached to the underlying policy(s).

List or describe any special amendments to the underlying policy(s).

WHY?

The Umbrella Policy is not a following form product so exclusions, extensions and special amendments used on the underlying primary policies must be arranged to apply to the umbrella as well. If the underlying coverages are unique, purchasing an excess policy may be the most effective way to address coverage gaps.

How many vehicles of the following types are owned or leased by the applicant?

____ Private Passenger ____ Small trucks ____ Medium trucks
____ Heavy trucks ____ Extra Heavy ____ Bus

Are vehicles ever hired? ____ Yes ____ No

If yes, describe the vehicles hired along with the annual cost and duration.

WHY?

Neither individual vehicles or classes of vehicles are listed on the Umbrella Policy. Underwriting and rating need to know this information in order to determine exposures and develop premium charges.

UNDERLYING WORKERS COMPENSATION – EMPLOYERS LIABILITY INFORMATION

List all of the exclusions attached to the policy(s).

List or describe any special amendments to the policy(s).

WHY?

This section is not about Workers Compensation coverage. It is about Employers Liability or the Stop Gap Liability coverage on this part of the underlying policy. Umbrella coverage does not apply to Workers Compensation coverage, since the benefits are set by each state. However, there are limits for Employers Liability coverage and, as a result, a need for Umbrella coverage above those limits.

Provide the number of employees by state.

State	#	State	#	State	#
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

What is the total annual payroll? _____

WHY?

Monopolistic states are of greater concern. Their plans do not include Employers Liability coverage, so no standard for writing the coverage exists in those states. The underlying Employers Liability provisions can vary considerably from one another in those states.

QUIZ: EMPLOYEE BENEFITS AND UMBRELLA

Close to Home offers a 401(k) plan for their employees as their only benefit. Thanks to the questions asked by Pamela, Ephraim is thinking that since he has grown, it might be a good time to consider adding additional benefits. Pamela offers to work with him.

They also do not currently carry an Umbrella policy. Pamela points out that he really needs to consider additional limits in order to protect the assets and the future of the company.

Most employee benefits liability claims come from activities during:

- a. Initial hiring
- b. Annual reviews
- c. Probation
- d. Termination

What is the coverage territory for an Umbrella policy?

- a. The same coverage territory as the General Liability policy
- b. The same coverage territory as the Automobile Liability policy
- c. The coverage territory described in the Umbrella policy
- d. The same coverage territory as the Workers Compensation policy

How should the Close to Home vehicles be scheduled on the Umbrella policy?

- a. Each power unit must be listed but not the trailers
- b. All vehicles, including trailers must be listed
- c. The vehicles are not scheduled on the umbrella
- d. Only the extra heavy vehicles are listed

The General Liability policy lists two entities as additional insureds. In order to include them on the umbrella, what must occur?

- a. Nothing - the umbrella is always following form
- b. They cannot be included on the umbrella
- c. Both entities must be added to the umbrella by endorsement as additional insureds

Does the Umbrella cover workers compensation benefits?

- Yes
- No

AUTOMOBILE

DRIVER INFORMATION

List the names of drivers who maintain a Commercial Driver's License (CDL).

WHY?

Since driver error is the primary cause of accidents, effective loss prevention begins with the driver. A good starting point is requiring a Motor Vehicle Report (MVR) review prior to hiring new drivers. MVRs should be ordered on a regular basis on all existing drivers. The company should have a formal written policy outlining acceptable parameters for MVRs as well as a structured disciplinary program for driving infractions that includes suspension of driving privileges or discharge.

Are any officers, partners or employees furnished an automobile for their personal use? ___ Yes ___ No

Do individuals with a furnished automobile purchase automobile insurance on personally owned autos?
___ Yes ___ No

WHY?

Individuals supplied with a company vehicle but who do not carry Personal Auto insurance coverage could be surprised by gaps in coverage if a loss occurs.

Do owned vehicles tow special equipment such as air compressors or concrete mixers? ___ Yes ___ No

Are any automobiles used in parades or other events? ___ Yes ___ No

Are any vehicles laid up for more than 30 consecutive days or more due to seasonal operations?
___ Yes ___ No

WHY?

Vehicles driven on a seasonal basis can receive a credit for the months that they are not used.

If subcontractors are used, are procedures in place to monitor the timely receipt of certificates of insurance?

___ Yes ___ No ___ No subcontractors

If yes, describe.

WHY?

Without a certificate of insurance from the subcontractor, a contractor could be responsible for a subcontractor using his own vehicle on the contractor's project. The use of rating symbol 1 could cause a particular problem in such a situation.

Are any automobiles equipped with cellular telephones, two-way radios, citizens band radios or similar devices?

___ Yes ___ No

If yes, describe.

Unit #	Type	Value (ACV)
--------	------	-------------

WHY?

Most truck lines have significant amounts of electronic monitoring and communication equipment in their vehicles. Since these may be excluded in the auto policies, an Inland Marine policy should be considered to eliminate potential gaps in coverage.

How many automobiles are parked at one location overnight?

Location	# of Vehicles	Value
----------	---------------	-------

Describe lot protection.

WHY?

This is a risk management aid. Keeping all vehicles at one place creates the potential for a catastrophic (i.e., tornado or fire) loss. This also affects any recommendations regarding the need for comprehensive coverage and the type and amount of any deductible.

Does the applicant lease or rent vehicles with operators to others? ___ Yes ___ No

Does the applicant lease or rent vehicles without operators to others? ___ Yes ___ No

Does the applicant travel to Canada or Mexico? ___ Yes ___ No

WHY?

Truck lines that operate regularly outside of the United States should consider purchasing an "international policy" that meets the insurance requirements of whatever country they are driving through. The North American Free Trade Agreement (NAFTA), Central American Free Trade Agreement (CAFTA) and the pending South American Free Trade Agreement have improved trade and therefore increased the need for intercontinental shipping but each country still has its own laws and rules that apply to motor vehicles operating within its borders.

Do vehicles have theft alarms? ___ Yes ___ No

How often do drivers receive refresher courses? _____

Is there a set procedure to be followed in case of accident? ___ Yes ___ No

Are drivers trained in cleanup procedures? ___ Yes ___ No

What is the maximum radius of operation? _____

What is the average radius of operation? _____

Does the applicant transport red-label adhesives? ___ Yes ___ No

If yes, answer the following:

Are all drivers required to have Haz-Mat licenses? ___ Yes ___ No

Is the transport limited to certain times of the day? ___ Yes ___ No

Are trucks clearly marked? ___ Yes ___ No

WHY?

Red-label adhesives are combustible at relatively low temperatures. They must be kept cool and stable and kept away from any flame, spark, heat or other sources of combustion. Transport of this property is dangerous and requires special driver training and licensing. In addition, the transporting vehicles must be appropriately marked and labeled.

Does the applicant transport chemicals? ___ Yes ___ No

If yes, answer the following:

Are all drivers required to have Haz-Mat licenses? ___ Yes ___ No

Is the transport limited to certain times of the day? ___ Yes ___ No

Are trucks clearly marked? ___ Yes ___ No

WHY?

When transporting chemicals the driver must be familiar with the characteristic of the particular chemical and the cleanup procedure following any spill. When there is bulk liquid transport, tank cleaning procedures must be established. This is particularly important when the tank is used for more than one type of chemical in order to prevent contamination of the product and chemical reactions. Chemical transport requires special driver training, licensing and vehicle labeling.

AUTOMOBILE – HIRED AND NONOWNERSHIP

HIRED/BORROWED AUTO

Is the applicant required to provide the primary coverage for any hired or borrowed vehicles? ___ Yes ___ No

If yes, answer the following:

Will the applicant be hiring or borrowing the same vehicle for more than six months? ___ Yes ___ No

WHY?

Note: If yes, the auto should be covered in the same way as an owned vehicle is covered.

Is the owner of the vehicle an employee of the applicant? ___ Yes ___ No

Is an employee hiring the vehicle in his or her own name in order to perform the applicant's business? ___ Yes ___ No

List the states where the applicant may hire or borrow vehicles, and provide the estimated annual cost (put "if any" if unknown).

State	Cost	State	Cost	State	Cost
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Is hired auto physical damage required? ___ Yes ___ No

Are vehicles hired with drivers? ___ Yes ___ No

Describe the types of vehicles hired or borrowed and the reason the applicant hires or borrows them.

NON-OWNED

What is the total number of employees at all locations? _____

If the applicant is a partnership, what is the total number of active and inactive partners? _____

What percentage of employees regularly use their own vehicles in the applicants' business? _____%

Does the applicant want to provide Employees as Insureds coverage? ___ Yes ___ No

Do employees use their personal vehicles to provide "on demand" deliveries to homes and/or businesses?
___ Yes ___ No

WHY?

Employees should never be given a reason to ignore traffic laws and safety issues, such as an incentive or an "on time" delivery guarantee.

QUIZ: BUSINESS AUTO

Ephraim has high personal standards and has always felt that since all drivers were family, he knew their character and didn't need to worry about MVRs, drug tests or background checks. However, Millie's disappearance is causing him to question these long held beliefs. In addition, because of his major customer's expansion he knows that he may soon need to follow the federal guidelines for interstate drivers if he wants to keep the customer.

What is the primary cause of accidents?

- a. Equipment failure
- b. Road conditions
- c. Weather
- d. Driver error

Does a standard commercial auto policy provide adequate coverage for regular transport in Mexico or Canada?

- Yes
- No

If Ephraim transports red-label adhesives, what special precautions must be taken?

- a. None
- b. Keep cool and away from sources of combustion
- c. Special packing to prevent shocks and spills
- d. The driver must be over the age of 30

What special training must a driver have that transports chemical?

- a. None
- b. Procedures to follow if a spill occurs
- c. Evasive and maneuverability driving

What should always be obtained prior to the hiring of a driver and also regularly during that driver's employment?

- a. Motor Vehicle Record
- b. Criminal background check
- c. Written recommendation from prior employers
- d. Application

WORKERS COMPENSATION

OPERATIONS

List all states where the applicant anticipates working during the next twelve (12) months.

WHY?

In addition to the states where operations are conducted, it is important to know states through which the drivers regularly travel. This is because an injured worker can submit a claim in either the state where the main operation is located or the state in which the injury occurred.

Are operations performed on public works projects outside the United States? ___ Yes ___ No

If yes, describe.

WHY?

Note: Consider completing the Foreign Operations Supplement.

Does the applicant perform operations on docks, piers, wharves, etc. that are on navigable waters? ___ Yes ___ No

If yes, describe such operations.

WHY?

Note: Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Does the applicant perform any work on barges, vessels, or bridges that span navigable waters? ___ Yes ___ No

WHY?

Note: If yes, consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Are operations performed on fixed platforms on the outer continental shelf? ___ Yes ___ No

If yes, answer the following:

What is the closest governing state? _____

Where is the work located?

WHY?

Note: The Outer Continental Shelf Lands Act extends the Longshore and Harbor Workers Compensation Act to apply to employees who work on fixed platforms on outer continental shelves. Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Working over water may subject an insured to the United States Longshore and Harbor Workers Act. Its benefits are dramatically higher than normal state benefit levels.

Does the applicant perform operations on U.S. defense bases? ___ Yes ___ No

If yes, describe such operations.

WHY?

Note: Consider completing the Defense Base Act and Federal Employers Liability Act Coverages Questionnaire.

If a truck line has a government contract involving pickups and deliveries on military bases, additional questions should be asked. A driver injured on a base may be subject to the Defense Base Act. Employees subject to the Defense Base Act are excluded under the Workers Compensation policy so special coverage arrangements are needed to cover this exposure.

Does the applicant perform operations in monopolistic workers compensation states? ___ Yes ___ No

WHY?

Employees working, or operations performed, in a monopolistic state must be covered under that state's workers compensation plan or arrangement. Employers liability coverage must be written separately in monopolistic states.

Note: If yes, consider completing the Employer's Liability - Stop Gap Questionnaire.

Does the applicant own or jointly own, operate, or lease aircraft and/or watercraft? ___ Yes ___ No

WHY?

Note: Consider completing the Aircraft Ownership Supplement if the applicant has an aircraft exposure. Consider completing the Ship or Boat Ownership Supplement if the applicant has a watercraft exposure.

Employees working, or operations performed, in a monopolistic state must be covered under that state's Workers Compensation plan or arrangement. Employers Liability coverage must be written as a separate coverage in monopolistic states.

Workers compensation coverage for aircraft or watercraft exposures involves special classifications and endorsements not provided by all insurance companies. Coverage for these exposures may only be available in a specialty or surplus lines market.

Describe type of work.

EMPLOYEES

Does the applicant employ migrant laborers? ___ Yes ___ No

If yes, describe the operation, the duties performed and the length of time employed.

Do employees ever travel outside the United States to work? ___ Yes ___ No

If yes, which countries and what is the average length of time out of country?

WHY?

Note: If yes, consider completing the Foreign Operations Supplement.

If drivers pick up or deliver outside of the United States, the workers compensation laws of those countries must be evaluated. Employees living in the United States, its territories or possessions, or Canada are covered under the laws of the state where the business is located. These employees are also covered when temporarily in other countries. If drivers make frequent trips or trips of long duration, the definition of "temporarily" could come into dispute if there is injury in the other country. Alternative risk solutions should be explored with the insured and the underwriter.

Are any of the applicant's employees considered exempt from workers compensation statutes in the jurisdiction where they work? ___ Yes ___ No

If yes, identify the types of employees and the jurisdiction where they are exempt.

WHY?

Not all employees are required to be covered by workers compensation. Each state has exemptions for certain occupations. However, when a worker is not subject to the workers compensation laws, the employer loses the lawsuit protections under that law. An employer may have a significant coverage gap if an employee is not included under the Workers Compensation coverage since the Commercial General Liability coverage excludes all employees whether they are eligible for Workers Compensation coverage or not.

Do any employees telecommute or in other ways work out of their homes? ___ Yes ___ No

If yes, describe the employee job functions and safety procedures for them.

WHY?

If drivers take their vehicles home after work hours, guidelines must be established concerning the extent of maintenance, if any, permitted to be performed by the employee on the vehicle while there. In addition, there must be guidelines for permissible activities by drivers when they are on the road since Workers Compensation coverage travels with the driver.

Does the applicant weld on the jobsite or on premises? ___ Yes ___ No

If yes, describe the training provided and the safety precautions required.

WHY?

Welding is dangerous to both the welder and to fellow employees. Training and supervision are key components to a safe workplace where this operation exists.

Are employees trained to use proper lifting techniques including the use of dollies? ___ Yes ___ No

WHY?

Loading and unloading of the truck subjects the driver to back injuries. If drivers are expected to load and unload, appropriate lifting techniques must be taught. Tools to assist in the handling of freight such as dollies, lifts and similar devices must be provided. Support belts and other protective gear should also be provided. If drivers are not permitted to load or unload freight, customer locations should be monitored on a random basis to ensure that such lifting does not occur.

MANAGEMENT

Does the applicant obtain work permits as local, state, or federal statutes require? ___ Yes ___ No

Does the applicant have an organizational policy that specifies the maximum number of key employees who may travel together? ___ Yes ___ No

If yes, attach a copy of the organizational policy.

WHY?

The potential of losing several key employees in a single accident creates a significant workers compensation exposure. Such a loss would also negatively impact the ability of the company to continue operations. If the applicant employs subcontractors, how does it monitor their certificates of insurance and ensure that it receives them on a timely basis?

If the applicant employs subcontractors, how is timely receipt of certificates of insurance monitored for those subcontractors?

WHY?

Truck lines that use independent contractors could be subject to Workers Compensation claims if those independents do not carry Workers Compensation coverage. There should be clear guidelines as to the difference between employees and independent contractors that are consistent with governmental rulings. This "gray area" could leave an employer in a serious financial bind if an independent contractor is determined to be an employee based on governmental or court ruling, but was reported to the insurance company as an independent contractor

Are all of the applicant's machinery and equipment properly guarded and secured? ___ Yes ___ No

Does the applicant train employees before they operate any machinery and equipment? ___ Yes ___ No

Does the applicant train employees in the proper way to clean machinery and equipment? ___ Yes ___ No

If the answer to the training questions above is yes, attach a copy of the applicant's training manual plus the documentation it uses to ensure that the training is appropriate.

WHY?

Truck line drivers must be capable of effectively handling their assigned vehicles. Initial training must be followed by periodic supplemental training. The insured should provide all employees with a training manual that addresses both the drivers and the garage employees, if any. Regular training should also include OSHA changes and Department of Transportation rulings at both the federal and state level.

Additional training should be required when a driver is assigned to a different type of vehicle. Included should be a training requirement for any driver who changes the type of vehicle the person is driving.

Whenever a driver is assigned to a different type of vehicle, training specific to that vehicle should take place.

Are the doors on all walk-in freezers, cold storage boxes, and other automatic locking storage area equipped with a pass-type latch that can be opened from the inside? ___ Yes ___ No

WHY?

All trailers should have mechanisms that allow the driver to escape a locked unit if accidentally trapped inside. This is especially important with refrigerated units.

Are first aid kits provided? ___ Yes ___ No

Is at least one employee (on duty) trained in administering first aid? ___ Yes ___ No

WHY?

Each vehicle must have a first aid kit stocked and available for use. The driver should be responsible for the upkeep of the kit, but its contents should be part of any regular vehicle inspection procedure.

First aid kits should be strategically placed in the working area, readily accessible and fully stocked. The insured should have written procedures for re-stocking as needed. At least one employee on each shift at each location should be trained in emergency procedures directly related to the type of work being performed. These employees should also know how to contact health care professionals as quickly as possible. First aid is important but should never be treated as a suitable alternative to outside professional care.

Is drug/alcohol testing required for all drivers prior to hire? ___ Yes ___ No

Is random drug testing of drivers conducted after hire? ___ Yes ___ No

If yes to the drug/alcohol testing questions above, attach a copy of the company policy and procedure manual on the subject.

WHY?

A strict policy of drug and alcohol testing should be mandatory. This includes pre-hire testing and random testing after hire. The policy and disciplinary measures must be included in the procedure manual. Although Department of Transportation guidelines are mandatory only for interstate drivers, they should be applied to all drivers.

Is appropriate safety equipment provided for the jobs being performed? ___ Yes ___ No

WHY?

Safety equipment must be appropriate for the jobs being performed. The drivers should be required to use seat belts at all times and the seat belts must be inspected for wear at regular intervals. Vehicles should be inspected and maintained in proper operating condition at all times. All garage employees should wear appropriate eye and ear protection. Employees who lift should have back support belts and use mechanical devices to lift heavy objects.

QUIZ: WORKERS COMPENSATION

Close to Home's Workers Compensation policy is currently in an assigned risk program because that was the only market when they first started. Because of this, Ephraim has always felt his premiums were high but that he could do nothing about them. Close to Home has a number of small claims but nothing large. Pamela believes that if she can find the right company, they can all work together to lower the frequency of claims and also lower Ephraim's premium. He is very open to loss control recommendations since he wants to keep his family healthy and his customer's happy.

If the Close to Home drivers make a delivery in Canada, are they covered under the Close to Home Workers Compensation policy?

___ Yes

___ No

The use of first aid kits should not be encouraged because they might discourage an employee from calling 911 or seeking other emergency care.

___ True

___ False

Ephraim employs day laborers to help keep the yard clean. They are exempted from coverage under the Workers Compensation laws in his state. Should Ephraim voluntarily cover them under his policy?

___ Yes

___ No

How often should drivers be tested for drug use?

- a. Before hiring
- b. Following an accident
- c. Random
- d. All of the above

If employees work out of their home, what should the employer provide them?

- a. All tools and equipment needed to perform their job from home
- b. Guidelines as to what they are expected to do and not do
- c. A time clock so they can clock in and out
- d. Web-cam so that the supervisor can monitor their activities

Pamela is now ready to develop a Client/Agent Coverage Agreement to take with her to the client. This will allow her to recommend coverages and allow Ephraim to accept or reject the recommendations. Before making recommendation, she selects the Supplement so that she can review the various coverage definitions.

Pamela looks over the coverages. She decides that she really needs to know more about Goods in Transit coverage. She selects it on the list and reviews the definition.

Pamela needs to know more so she clicks the link to PF&M so that she can learn more about Motor Truck Cargo coverage.

The Motor Truck Cargo information is extensive with more information than she needs right now. She decides to review the introduction, coverages provided, causes of loss included and excluded, and regulatory requirements.

Close to Home has always counted on their bill of lading to protect them from paying for damaged property and never purchased Goods in Transit coverage. This has not always helped with customer relationships. Since they are growing, this motor truck cargo coverage might be just the ticket to expansion and protect them from the overdependence on one customer.

QUIZ: PF&M - AAIS MOTOR TRUCK CARGO LEGAL LIABILITY COVERAGE

When does property of others become covered property under a motor truck cargo policy?

- a. When the freight is put on the customer's loading dock
- b. When the customer or driver loads the freight onto the insured's vehicle
- c. When the driver takes possession of the property
- d. When the contract is signed

Which of the following is not a coverage extension?

- a. Debris removal
- b. Defense costs
- c. Fraud and deceit
- d. Fines and duties

Which of the following is not a Supplemental Coverage?

- a. Preservation of property
- b. Expediting expenses
- c. Moving equipment
- d. Pollutant cleanup

When the Federal Motor Carrier Safety Administration requires an insurance company to pay for losses not covered by their policy, who reimburses the insurance company?

- a. The Interstate Commerce Commission
- b. The named insured
- c. The shipping company
- d. The receiving company

Which of the following is not excluded under the Motor Truck Cargo policy?

- a. War
- b. Contamination
- c. Flood
- d. Loss of use

ANSWERS: RISK OVERVIEW

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown.

All of the answers may be found in Risk Overview section you just studied. Feel free to go back and search for the correct answer if you have the slightest doubt.

Ephraim started as an owner-operator 10 years ago. His brother needed a job eight years ago, so Ephraim bought a second rig and hired him. By trying to help his family, he has built a small fleet with eight rigs. All employees are related by blood or marriage.

What is a common property exposure that should be controlled?

a. Welding

Truck lines never have an on-premises property of others exposure.

___ False

What is the primary crime exposure for a truck line?

c. Employee dishonesty

Loading and unloading liability exposures are covered under which coverage form:

a. Automobile Liability

What is the key to effective automobile loss control?

b. Driver training

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again.

ANSWERS: GENERAL INFORMATION

Ephraim named his company the Close to Home Truck Lines because he only transports intrastate. He likes his drivers to be home at least five days a week, although there are some trips that require a driver to be out overnight. He has a small compound with three buildings, some storage, dispatching equipment, and a small garage operation. The repair garage was originally a part-time operation for his vehicles only. Recently, he has started working on other person's vehicles and is employing two full-time mechanics.

Is the garage operation covered under Close to Home Truck Lines' General Liability policy?

___ Yes

Ephraim is thinking about closing the business for a month so that everyone can travel to together for a celebration of their success. Which of the following coverage exposures will increase during that time off?

d. Property

Where should a truck line concentrate its safety program?

c. Over-the-road exposures

Close to Home is a general delivery operation. They have been approached about transporting specialty types of goods. If they expand to include refrigerated goods or hazardous goods, what coverage loss potentials might increase?

d. All of the above

Close to Home operated a joint venture with a friend of Ephraim's. Is there coverage under the Close to Home policy for the joint venture?

___ No

ANSWERS: BUILDING, BUSINESS PERSONAL PROPERTY AND BUSINESS INCOME

Close to Home has a fence that encloses all of the buildings plus the vehicle parking area. The gate is secured with a padlock and two guard dogs are unleashed after everyone leaves for the night. Ephraim is discussing building a new garage in the compound because of the additional revenue that is being generated and the need for additional space. Close to Home entered into a "just in time" agreement with a manufacturer in the northern part of the state in which Close

to Home delivers products to retail stores throughout the state. This agreement represents 60% of their trucking revenue. The other 40% of their revenues are from the pickups they make from the delivery point.

The fencing and guard dogs can reduce loss potential from vandalism and theft but increase the loss potential from:

a. Fire

What is an effective property loss control technique for garage operations when dealing with flammable liquid storage?

b. Keep the storage separate from main operations

When welding a gas tank, what must always be done?

c. Remove, drain and wash the tank

Since 60% of Close to Home's revenue comes from one manufacturer, what coverage might Pamela recommend?

c. Business Income From Dependent Property

There are three buildings in the enclosure but only two buildings listed on the current policy. What coverage is on the unlisted building?

b. No coverage

ANSWERS: INLAND MARINE

Ephraim gives Pamela the following Inland Marine coverage information:

Drivers are not permitted to collect money, so all collection is through invoices. The accounts receivable information is entered on the computer in the main office using a prepackaged bookkeeping software program. Each rig is equipped with computers for communication and monitoring purposes. The cargo is general with no unusual theft potential and nonrefrigerated. The bills of lading are kept in the main office along with all permits, licenses and driver background checks.

Which of the following is not included in the accounts receivable coverage?

d. Employee payroll for entering of accounts receivable

Computer policies can cover equipment on premises, on a vehicle and off premises.

___ True

The president of Ephraim's major customer asks him to pick up a teacup corgi and bring it to him on the next regular run. If the corgi is hurt or lost, is there coverage under the Motor Truck Cargo policy?

a. No, because damage to live animals is excluded from coverage

Ephraim does not have duplicates of most of his valuable papers; if there is a loss, are the papers without duplicates covered?

___ Yes

Ephraim has a book on transport that is irreplaceable but is worth \$10,000 based on a certified appraiser. How can he cover it under the Valuable Papers coverage?

b. Specifically schedule the book on the Declarations page

ANSWERS: EMPLOYEE DISHONESTY, MONEY AND SECURITIES AND EXTORTION

Millie, Ephraim's sister-in-law, helps out in the office when her husband is on the road. She isn't paid but does provide a lot of help in invoicing and any other odd job that is needed. Revenue is fairly steady throughout the year except for October. Their major customer doubles their output in October so Close to Home must work overtime to handle the deliveries. In November, this ripples through invoicing and receipts causing a doubling of money and securities exposure in the office.

This same major customer is exploring the possibility of sending shipments across the border to Mexico. The areas he is considering have had some kidnappings so Ephraim is asking Pamela questions about extortion coverage.

One day Millie doesn't show up for work. Ephraim's brother is distraught. When Ephraim's bookkeeper notifies him that \$10,000 is missing from the checking account, Ephraim files an Employee Dishonesty claim. Is there coverage?

c. No, because volunteers are not covered under Employee Dishonesty

How should Pamela suggest Ephraim choose his money and securities limit?

c. Use an 11-month average limit plus a peak season endorsement

What country is not included in the standard Extortion policy?

c. Mexico

If Ephraim lists Mexico and Panama on his Extortion policy, what countries are covered?

c. Mexico, Panama, United States, Canada and Puerto Rico

The bookkeeper takes the receipts to the bank every day. What precautions should she take to prevent robbery?

c. Vary the time she leaves and her route to the bank

ANSWERS: GENERAL LIABILITY

Close to Home does not permit their drivers to load or unload any freight. Ephraim believes this reduces the chance of driver injury, damage to freight and damage to customer's employees. All deliveries are to commercial operations. They also limit access to the premises with the fenced enclosure.

Does Close to Home need to purchase a General Liability policy?

b. Yes, there is a premises exposure and employee/customer interaction exposures

If one of Ephraim's drivers disobeys orders and unloads freight to the loading dock and then helps a customer by taking it into the warehouse, is there coverage if bodily injury or property damage occurs because of that driver's actions?

c. Yes, because Close To Home is responsible for supervising employees

An independent contractor picks up all of the waste from Close to Home. What information should Ephraim have on file from this contractor?

b. Signed contract and certificate of insurance

Pamela is surprised to learn that Ephraim owns a boat that is registered in the name of Close to Home. What should she do?

b. Explain that he may have a coverage gap and request additional information

Ephraim is considering a contract to provide local residential delivery services for an appliance store. Will this increase or decrease his general liability exposure?

a. Increase it due to the vulnerability of the delivery customers

ANSWERS: EMPLOYEE BENEFITS AND UMBRELLA

Close to Home offers a 401(k) plan for their employees as their only benefit. Thanks to the questions asked by Pamela, Ephraim is thinking that since he has grown, it might be a good time to consider adding additional benefits. Pamela offers to work with him.

They also do not currently carry an Umbrella policy. Pamela points out that he really needs to consider additional limits in order to protect the assets and the future of the company.

Most employee benefits liability claims come from activities during:

d. Termination

What is the coverage territory for an Umbrella policy?

c. The coverage territory described in the Umbrella policy

How should the Close to Home vehicles be scheduled on the Umbrella policy?

c. The vehicles are not scheduled on the umbrella

The General Liability policy lists two entities as additional insureds. In order to include them on the umbrella, what must occur?

c. Both entities must be added to the umbrella by endorsement as additional insureds

Does the Umbrella cover workers compensation benefits?

___ No

ANSWERS: BUSINESS AUTO

Ephraim has high personal standards and has always felt that since all drivers were family, he knew their character and didn't need to worry about MVRs, drug tests or background checks. However, Millie's disappearance is causing him to question these long held beliefs. In addition, because of his major customer's expansion he knows that he may soon need to follow the federal guidelines for interstate drivers if he wants to keep the customer.

What is the primary cause of accidents?

d. Driver error

Does a standard commercial auto policy provide adequate coverage for regular transport in Mexico or Canada?

___ No

If Ephraim transports red-label adhesives, what special precautions must be taken?

b. Keep cool and away from sources of combustion

What special training must a driver have that transports chemical?

b. Procedures to follow if a spill occurs

What should always be obtained prior to the hiring of a driver and also regularly during that driver's employment?

a. Motor Vehicle Record

ANSWERS: WORKERS COMPENSATION

Close to Home's Workers Compensation policy is currently in an assigned risk program because that was the only market when they first started. Because of this, Ephraim has always felt his premiums were high but that he could do nothing about them. Close to Home has a number of small claims but nothing large. Pamela believes that if she can find the right company, they can all work together to lower the frequency of claims and also lower Ephraim's premium. He is very open to loss control recommendations since he wants to keep his family healthy and his customer's happy.

If the Close to Home drivers make a delivery in Canada, are they covered under the Close to Home Workers Compensation policy?

___ Yes

The use of first aid kits should not be encouraged because they might discourage an employee from calling 911 or seeking other emergency care.

___ False

Ephraim employs day laborers to help keep the yard clean. They are exempted from coverage under the Workers Compensation laws in his state. Should Ephraim voluntarily cover them under his policy?

___ Yes

How often should drivers be tested for drug use?

d. All of the above

If employees work out of their home, what should the employer provide them?

b. Guidelines as to what they are expected to do and not do

ANSWERS: PF&M - AAIS MOTOR TRUCK CARGO LEGAL LIABILITY COVERAGE

When does property of others become covered property under a motor truck cargo policy?

c. When the driver takes possession of the property

Which of the following is not a coverage extension?

d. Fines and duties

Which of the following is not a Supplemental Coverage?

a. Preservation of property

When the Federal Motor Carrier Safety Administration requires an insurance company to pay for losses not covered by their policy, who reimburses the insurance company?

b. The named insured

Which of the following is not excluded under the Motor Truck Cargo policy?

c. Flood

Minimum recommended coverage:

Building,
Business Personal Property,
Business Income and Extra Expense,
Employee Dishonesty,
Money and Securities,
Accounts Receivables,
Computers,
Motor Truck Cargo,
Valuable Papers and Records,
General Liability,
Employee Benefits,
Umbrella,
Motor Carriers Liability and Physical Damage,
Hired and Nonownership Auto,
Workers Compensation

Other coverages to consider:

Earthquake,
Flood,
Cyber liability,
Employment-related Practices,
Environmental Impairment,
Warehouse Operators' Legal Liability,
Stop Gap Liability

TRUCKING AND TRANSIT SUPPLEMENT DEFINITIONS

PROPERTY COVERAGES

Property coverage insures the insured's tangible assets against a variety of causes of loss. There are many coverage forms and approaches, beginning with the general and moving to the specific. This range of options allows an agent to work with a customer to develop a specific approach that is customized for that customer.

Building and Personal Property Coverage Form

Four types of property are associated with every structure:

- The building or structure itself
- Business personal property inside the building
- Personal property of others in the building
- Improvements and betterments added to a building space for the benefit of a named insured tenant

The Building and Personal Property Coverage Form insures all four types of property. Each can be written with its own specific limit or can be combined in various ways on a blanket basis. A separate causes of loss form must be attached. The causes of loss form selected can vary by type of property.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis \(18,469 words\)](#)

Building and Business Personal Property Coinsurance

Coinurance is a technique that encourages the named insured to insure to the proper value. The commercial fire rating in the ISO manuals contemplates 80% coinsurance. Higher coinsurance percentages receive a credit. Lower percentages are debited. The insured selects a coinsurance percentage that is entered on the declarations. Failure to carry sufficient limits to satisfy the coinsurance requirement results in a penalty when the loss is settled.

Related Article: [Coinsurance Clause \(1,668 words\)](#)

Building and Business Personal Property Alternatives to Coinsurance:

Agreed value

This approach suspends coinsurance but requires the insured to submit annual signed statements of the 100% value of the property insured. The insured must purchase limits of insurance that equal or exceed 90% of that value.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis](#)

Functional replacement cost

This approach allows the insured to purchase only the limits it needs to rebuild or replace building and/or business personal property based on utilitarian needs. Examples include replacing a three-story building that occupies only the first floor with a one-story building or replacing wood office furniture with cubicles.

Related Article: [Functional Property Valuations \(1,783 words\)](#)

Peak season

This approach allows the insured to increase business personal property limits at peak times while keeping them lower at other times of the year. The insured picks the time period and the increased limit it needs.

Related Article: [Peak Season Coverage 889 words\)](#)

Reporting forms

This approach allows the insured to pay for only the business personal property limit it needs while still maintaining insurance to value. The insured schedules the highest limit it needs for the year and pays deposit premium based on 75% of that limit. The insured reports the actual values at selected periods. At the end of the year, the insurance company calculates the premium based on the reports and issues either a bill or a refund to the insured. The insured has the exact coverage it needs for the time period.

Related Article: [CP 13 10-Value Reporting Form \(3,530 words\)](#)

Optional Property Coverage Forms

The Building and Personal Property Coverage Form is available for all commercial insureds. However, it may not be the best approach in all cases. The following coverage forms should be considered for certain insureds or when a different approach is in order.

Builders Risk

A building under construction does not have any value when the project begins but reaches its full value at the end of the project. This coverage form's rating structure takes that fact into consideration so that pricing is equitable and frequently endorsing the policy to change limits or periodically reporting values at risk is not required. This coverage form also insures materials that await installation. Any of the causes of loss forms may be attached so coverage can be customized to fit the project's specific needs.

Any trucking or transit operation building on premises should consider using this coverage to provide the right coverage at the right price.

Related Article: [CP 00 20-Builders Risk Coverage Form Analysis \(7,775 words\)](#)

Commercial or Manufacturers Output Policy

A commercial output policy is a property coverage form originally designed for automobile manufacturers but it is appropriate for any property exposure with large values. The coverage is broader and more flexible than the coverage in standard Property Coverage Forms. There are several built-in coverages but the deductibles also tend to be higher. Most commercial output policies are unique to each company, but both AAIS and ISO have developed their own coverage forms for their members.

Comparing forms is necessary to determine their advantages and disadvantages. Exclusions, property included and excluded, inland marine extensions, property at other locations, and any special limitations must be examined carefully. Rating is unique and a decision on whether the rate can be changed during the year is usually necessary.

Larger trucking or transit operations should consider using this coverage form because of the flexibility in the definition of covered locations and in its broad coverages.

Related Articles:

[OP 00 01-ISO Capital Assets Program Coverage Form \(Output Policy\) Analysis \(33,146\)](#)

Condominium–Unit-owners coverage

This coverage form insures business personal property of a unit-owner and personal property of others in its care, custody, or control. The coverage provided is similar to the coverage the Building and Personal Property Coverage Form provides except that there is consideration for the unique features of condominium bylaws and coverage requirements. ISO offers this coverage but some insurance companies have developed their own variations of it.

If a trucking or transit operation is a part of a commercial condominium, it will need this coverage. The bylaws should be reviewed carefully to confirm that coverage is adequate.

Related Article: [CP 00 17-Condominium Association Coverage Form Analysis and CP 00 18-Condominium Commercial Unit-Owners Coverage Form Analysis \(15,604 words\)](#)

Equipment Breakdown Coverage Form

This coverage has ten separate parts:

- Property Damage
- Expediting Expense
- Business Income/Extra Expense
- Spoilage Damage
- Utility Interruption
- Newly Acquired Premises
- Ordinance or Law

- Errors and Omissions
- Brands and Labels
- Contingent Business Income/Extra Expense

Coverage applies to equipment under pressure in addition to mechanical or electrical equipment that generates energy. Communication and computer equipment is also covered. All are subject to certain restrictions. The major carriers that write this coverage use their own coverage forms but the structure is similar to ISO's version.

All building owners and tenants responsible for operating the above types of equipment should seriously consider purchasing this coverage because it resolves a significant gap in coverage in standard Commercial Property Coverage forms.

Related Article: [ISO Equipment Breakdown Protection Coverage Form Analysis \(14,655 words\)](#)

Legal Liability Coverage Form

This coverage form insures against direct physical loss or damage including loss of use of property of others in the insured's care, custody, and control for which it is legally liable. Coverage is for the property owner's benefit, not for the insured's benefit. That owner must file the claim for damages. A standard ISO coverage form provides this coverage. The insured chooses basic, broad, or special causes of loss. Determining the causes of loss form to use is based on the wording of the contract or agreement between the property owner and the insured. Because this is legal liability only, the causes of loss actually covered are the ones the contract or agreement requires. As a result, purchasing broader causes of loss than what the contract requires wastes money.

Related Article: [CP 00 40-Legal Liability Coverage Form Analysis \(3,000 words\)](#)

Standard Property Policy

This is a limited option version of the ISO Building and Personal Property Coverage Form. Because the causes of loss and the conditions are written into the policy, only a declarations is required to complete this policy. The significant restrictions in this policy place a heavy burden on the named insured. As a result, its use is usually limited to only risks that cannot be insured under a more conventional coverage form.

This may be the only coverage available to certain structures on a multi-location risk. Using it for the less than desirable building and structure may improve coverage and pricing available to the more desirable properties.

Related Article: [CP 00 99-Standard Property Policy Analysis \(19,032 words\)](#)

Optional Property Endorsements

There are a number of endorsements available to modify the commercial property coverage forms. Many of the endorsements are appropriate for specific types of insureds. The ones this list includes could apply to almost any insured.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses \(6,67 words\)](#)

Additional Debris Removal

Debris is created whenever there is a building or business personal property loss. It must be removed in order for the reconstruction to begin. Payment for debris removal in the ISO Building and Personal Property Coverage Form is limited to 25% of the loss plus an additional \$25,000 if needed.

The \$25,000 may not be sufficient for some insureds so there is an option to purchase a higher limit. Limits are purchased on a per-location basis instead of the standard per-building basis. This allows insureds to consider their entire location and determine potential debris removal considerations.

Unusual construction or places that are difficult to access can contribute to increased debris removal expense.

Related Article: [Debris Removal Concerns \(1,306 words\)](#)

Ordinance or Law Coverage

The ISO Building and Personal Property Coverage Form does not pay for increases in a loss due to local ordinances that require improvements to a building following a loss. This coverage insures three specific situations when ordinances increase rebuilding costs:

- The first deals with laws that require a building to be torn down if more than a certain percentage is destroyed and the building does not meet current codes. There is no coverage for destruction of the undamaged portion of the building. Coverage A pays for this.
- Second, there is no coverage for the costs to demolish undamaged portions of the building and clear the site. Coverage B pays for this.
- Third, there is no coverage to bring a building up to code in order to obtain permits to build. Coverage C pays for this.

Coverage may be purchased under ISO CP 04 05. Some insurance companies offer this coverage slightly differently.

Trucking and transit operations are often located in properties that are older and may not meet current building code. A partial loss could quickly turn into a total loss and force the establishment out of business if this coverage is not purchased.

Related Article: [CP 04 05-Ordinance or Law Coverage \(3,138 words\)](#)

Outdoor Trees, Shrubs, and Plants Enhancement

The ISO Building and Personal Property Coverage Form excludes outdoor trees, shrubs, and plants. A coverage extension provides a small amount of coverage but for only limited causes of loss and for small limits. CP 14 30–Outdoor Trees, Shrubs, and Plants provides broader causes of loss and higher limits. There is an option to include or exclude vehicle damage.

Vegetated roofs are not subject to the limitations for trees, shrubs, and plants.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses \(6,671 words\)](#)

Replacement Cost Valuation

Actual cash value is the standard valuation on insurance coverage forms and policies. Actual cash value is replacement cost on the date of loss less depreciation. While this valuation basis indemnifies the insured and returns it to the same condition after the loss as before, it creates problems because it is virtually impossible to rebuild old for old. Replacement cost valuation provides new for old coverage and is available in many property and inland marine coverage forms as well as some auto coverage forms. It is an important tool but is only effective if the insured purchases sufficient limits.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis \(18,469 words\)](#)

Spoilage

Spoilage is a consequential loss that the ISO Building and Personal Property Coverage Form excludes. However, CP 04 40 insures against spoilage of perishable stock within the building at the described premises. The insured must own the stock or the stock must be in its care, custody, or control. Spoilage can be caused by power outage and/or breakdown/contamination.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses](#)

Utility Services–Direct Damage

When covered property is damaged because a utility service supplied by an off-site provider fails, coverage applies only if CP 04 17–Utility Services - Direct Damage is attached to the policy. The failure must be due to the off-premises utility being damaged by a scheduled cause of loss. The only utility services covered are those scheduled in the endorsement and only the covered property described in the endorsement is covered. The covered utility services can be water, communication and/or power as defined in the endorsement.

Communication is vital for a trucking and transit operation. Equipment can be damaged by utility service failure so this coverage could be very important.

Related Article: [Utility Services Coverage \(2,435 words\)](#)

TIME ELEMENT COVERAGES

Time Element Coverage Forms cover the intangible economic losses that follow direct damage losses to tangible property. These coverage forms are forward-looking and coverage is based on loss of anticipated future economic benefits.

Business Income With Extra Expense

Business income with extra expense covers the loss of income a business sustains after direct damage to covered property. Coverage also applies to extra expenses that the insured incurs to remain in operation or to resume operations more quickly above and beyond the amount necessary to reduce the business income loss.

Most trucking and transit operations operate 24/7 and 365 days a year. Direct damage may halt part of the operation but extra expense will be incurred to prevent a total shut down.

Related Article: [ISO Time Element Coverage Forms Analysis \(10,164 words\)](#)

Business Income Without Extra Expense

Business income without extra expense covers the loss of income a business sustains after direct damage to covered property. It covers expenses the insured incurs in order to reduce the business income loss but only up to the amount by which they reduce the business income loss. There is no coverage for extraordinary measures the insured takes to maintain operations without regard to the impact the expenses have on reducing the loss of income.

It would be a very rare trucking and transit operation that would not need extra expense coverage.

Related Article: [ISO Time Element Coverage Forms Analysis](#)

Extra Expense Coverage Form

This coverage provides a way to pay for funds the insured must spend to continue operations or resume operations as soon as possible without regard to income to be generated by doing so. These include, but are not limited to:

- Transportation fees when using next-day service instead of normal shipping schedules
- Any surcharge to put a rush on a purchase order
- Special set-up fees that may be charged for a manufacturing order

This coverage form also covers money legally spent to continue or resume operations.

This coverage should be considered for risks that do not sustain a business income loss but that incur considerable extra expenses to remain open and operating.

Most trucking and transit operations are more concerned about the expenses they must incur in order to continue operating following a direct damage loss. They should develop an appropriate contingency plan and then purchase extra expense coverage to help with its implementation following a loss.

Related Articles:

[ISO Time Element Coverage Forms Analysis](#)

[Extra Expense Worksheet](#)

Leasehold Interest

This coverage form insures the named insured tenant that has a favorable long-term lease. It covers the difference between the rate in that lease and the prevailing rate in the area. Coverage applies only when the favorable lease is cancelled because a covered cause of loss causes loss or damage to the building. Coverage includes the value of up-front amortized costs. The limit of insurance decreases automatically based on the length of the lease.

The insured can choose basic, broad, or special causes of loss. It is important to review the insured's lease agreement to determine the type of loss that would break the lease and trigger coverage in order to select the appropriate causes of loss form.

Any insured with a long-term lease should consider this coverage.

Related Article: [ISO Time Element Coverage Forms Analysis](#)

Business Income Coinsurance

Coinurance is a technique that encourages proper insurance to value. Values that reflect higher coinsurance percentages are subject to lower rates. The lowest rate is at 125% coinsurance. This unusual percentage is used to encourage the insured to cover both the business income and the extra expense that must be incurred beyond the business income loss. Business income coinsurance is based on time and the insured should base limits on the consecutive months that generate the highest income. For example, retailers should consider using winter months instead of summer months. Contractors that do exterior work should use summer months instead of winter months.

Business Income Alternatives to Coinsurance

Agreed value

This approach suspends coinsurance but requires that the insured submit annual signed statements that show both the prior 12 months business income and the anticipated business income for the next 12 months. The insured must then carry a limit that equals at least 50% of the anticipated business income for the next 12 months.

Related Article: [Business Income Alternatives to Coinsurance \(10,164 words\)](#)

Maximum period of indemnity

This approach suspends coinsurance and pays the least of the business income loss incurred for up to 120 days following the date of loss or the limit of insurance. Coverage ends after the 120th day even if the limits have not been used up.

Related Article: [Business Income Alternatives to Coinsurance](#)

Monthly limit of indemnity

This approach suspends coinsurance and pays the monthly business income loss incurred up to 1/3, 1/4 or 1/6 of the business income limit, depending on the percentage on the declarations. Payment continues until business operations resume or the limit of insurance is used up, whichever occurs first. For example, if an insured chose the 1/3 option with a \$60,000 limit, \$20,000 would be available each month. If there was a loss and the loss in the first month was \$10,000, it would be paid in full. The next month's loss was also \$20,000 and would also be paid in full. The loss in the third month was \$30,000 but only \$20,000 would be paid. The loss in the fourth month was \$20,000 but only \$10,000 was paid because this amount used up the limit of insurance.

Related Articles:

[Business Income Alternatives to Coinsurance](#)

[Business Income-Sample Monthly Limitation Worksheet](#)

Premium adjustment

This approach suspends coinsurance while ensuring that the insured pays only for the coverage needed. It is similar to a personal property reporting option except that the full premium is paid in advance and the insured receives only a refund, never an additional premium. The insured submits a statement of estimated business income at the beginning of the policy period, chooses a coinsurance percentage and limit, and pays the appropriate premium. At expiration, the insured submits the statement of actual business income and the premium is recalculated. The insured receives a refund if the actual business income is less than the estimate. However, there is no additional premium charged if the actual income exceeds the estimate because the most the insurance company pays is the estimated business income limit.

Related Article: [CP 15 20-Business Income Premium Adjustment \(Reporting Form\)](#)

Optional Time Element Endorsements

There are a number of endorsements available to modify the time element coverage forms. Many of the endorsements are appropriate for specific types of insureds. The ones this list includes could apply to almost any insured.

Related Article: [ISO Time Element Coverage Forms Available Endorsements and Their Uses](#)

Business Income from Dependent Properties

This endorsement covers loss sustained at dependent properties that cause the insured's operations to be suspended. A dependent property can be a supplier or a customer of the insured. It can also be the lead store at a shopping center that draws customers to the insured. This endorsement is attached to the policy that provides business income coverage. Business income coverage on the insured's premises is not a prerequisite to purchasing this coverage.

Many trucking and transit operations obtain a high percentage of revenue from only one or two clients. In that situation, this coverage is vital in order for the operation to remain solvent when a lead client sustains a significant direct damage loss.

Related Article: [CP 15 08, CP 15 09, CP 15 01, CP 15 34, AND CP 15 02–Time Element Dependent Properties Coverage Forms](#)

Ordinance or Law–Increased Period of Restoration

Standard ISO Time Element Coverage Forms do not pay for increases to the time needed to rebuild following a loss due to local ordinances that require making improvements to a building following a loss. This endorsement provides coverage for that increase in time.

Coverage may be purchased under ISO CP 15 31. Other insurance companies may provide this coverage through extensions of coverage.

This endorsement should be attached when CP 04 05–Ordinance or Law Coverage is attached to the Building and Personal Property Coverage Form.

Related Article: [CP 15 31-Ordinance or Law-Increased Period of Restoration \(896 words\)](#)

Utility Services

When business operations are interrupted because a utility service supplied by an off-site provider fails, coverage applies only if CP 15 45 17–Utility Services - Time Element is attached to the policy. The failure must be due to the off-premises utility being damaged by a scheduled cause of loss. The only utility services covered are those scheduled in the endorsement. The covered utility services can be water, communication, wastewater removal and/or power as defined in the endorsement.

It is particularly important that communication be maintained following a utility failure because without communication, trucking and transit operations cannot track their goods and cannot provide service to their clients.

Related Article: [CP 15 45-Utility Services-Time Element](#)

PROPERTY AND TIME ELEMENT CAUSES OF LOSS

ISO property policies are assembled form-by-form so they can be customized. Once the insured selects the appropriate coverage form or forms, it must then select the causes of loss form or forms. There are three primary options to choose from. Earthquake and flood coverage also should be considered.

Basic

This causes of loss form insures against fire, lightning, explosion, smoke, windstorm or hail, smoke, damage from aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action.

Sinkhole collapse does not include the cost to refill the sinkhole. Volcanic action is damage that particulate matter, dust, ash, and lava flow causes. It is also the damage caused by airborne shockwaves and blasts but not from any movement of the ground.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis \(12,108 words\)](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Broad

This causes of loss form insures against all of the basic causes of loss plus falling objects, weight of ice, snow, or sleet, and water damage from plumbing, heating, ventilating, air conditioning, or appliances breaking or cracking. It also covers collapse due to any of the causes of loss in the basic causes of loss form and the broad causes of loss form.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Special

This causes of loss form insures against direct physical loss or damage except as the coverage form limits or excludes. This causes of loss form provides the broadest coverage of the three forms available.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Earthquake

All three primary causes of loss forms exclude earth movement. Coverage for earthquake damage can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 40–Earthquake and Volcanic Eruption Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes earthquake as a covered cause of loss
- Purchase a separate earthquake policy from a nonstandard market

The first two options are the most positive way to obtain this coverage. However, a nonstandard market may be the only place to obtain coverage for this cause of loss in certain earthquake-prone areas and with certain types of properties. Deductibles are a percentage of the limit of insurance and usually range from 1% to 10%.

Related Article: [CP 10 40-Earthquake and Volcanic Eruption Endorsement](#)

Flood

All three primary causes of loss forms exclude flood. Coverage for flood can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 65–Flood Coverage Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes flood as a covered cause of loss
- Purchase a separate flood policy from the National Flood Insurance Program (NFIP)

When coverage under the NFIP is available, flood carriers usually require that the insured purchase the NFIP policy as primary and it then provides excess limits over it.

Any trucking or transit operation located in flood-prone areas should consider purchasing flood insurance through the federal program and then purchase excess amount in the private market.

Related Articles:

[CP 10 65-Flood Coverage Endorsement](#)

[Overview of the National Flood Insurance Program 1,653 words](#)

INLAND MARINE COVERAGES

Inland marine traditionally has been less regulated than other types of insurance because of the unique nature of the property covered. In order to be consistent in treating it, insurance regulators adopted the Nationwide Marine Definition in 1933. While the basic definition has not changed, amendments have been added over the years that recognize changes in technology and the economy. Inland marine coverage can be provided by standard ISO coverage forms and by independent coverage forms from various inland marine carriers. While there are many common forms, inland marine insurance is known for recognizing and insuring unique exposures. When "it has never been done before" and needs to be insured, the inland marine market comes into play.

Related Articles: [Nationwide Inland Marine Definition \(3,967 words\)](#)

[Who Needs Inland Marine Coverage? \(1,214 words\)](#)

Accounts Receivable

This coverage protects against loss resulting from an inability to collect accounts receivable due to the loss, damage or destruction of books or records of accounts. This coverage may be written using a standard ISO or AAIS Inland Marine Form.

This coverage is very important to any trucking or transit operation that carries customers' accounts.

Related Articles:

[,ISO Accounts Receivable Coverage Form](#)

Broadcasting Tower/Equipment

Broadcasting Equipment and Tower Coverage Forms insure broadcast towers, transmitting and receiving equipment, media, purchased recordings, and mobile equipment. They also cover similar property of others in the insured's care, custody, or control. Towers, equipment, media, and purchased recordings are covered property if they are at a premises listed and described on the schedule of coverages. Coverage can be extended to include related computer equipment, computer software, and telecommunications equipment.

Trucking and transit operations may maintain their own towers in order to communicate effectively with their drivers.

Related Articles:

[ISO Radio and Television Towers and Equipment Coverage Form](#)

Difference in Conditions (DIC)

Difference in Conditions (DIC) coverage is occasionally referred to as umbrella coverage for property lines of insurance. It does not provide excess coverage for existing insurance coverages; instead, it provides coverage that is not in underlying coverage forms and policies. Its name derives from the difference in coverage provisions between it and the underlying coverage forms and policies. The greater the number of differences in coverage between the underlying coverage and the DIC, the greater the coverage the DIC provides. It is used primarily to provide earthquake and flood coverage and then insureds are pleasantly surprised to discover that the DIC covers certain perils that their underlying coverage forms and policies exclude.

DIC insurance coverage is designed to close specific gaps in standard insurance policies and is usually available only for larger industrial or commercial risks. DIC coverage is usually provided by a separate coverage form or policy but in some cases is available as an endorsement to the underlying coverage form or policy.

There is no standard form to provide this coverage, but generally it is offered through both inland marine and property markets. The keys to comparison are the limits, deductibles, exclusions, territory, and method of capping.

The broad aspects of the DIC can prove helpful for the unforeseen.

Trucking and transit operations that are located in unusual buildings could have exposures that are not anticipated. The broad aspects of the DIC can prove helpful for the unforeseen. In addition, there are the added causes of loss of flood and earthquake that may be needed.

Related Articles:

[ISO Difference in Conditions Coverage Form](#)

Electronic Data Processing

Covers loss to electronic data processing equipment, software and media owned, leased or used by the insured. Computerized production equipment may be insured as well as conventional computer equipment. Coverage may include or exclude breakdown and power interruption. This coverage is available through the inland marine markets and coverage is not standardized. Comparisons must be made as to exclusions, on- and off-premises coverage, and transit. Valuation basis is a consideration because most computer systems will not be replaced with like and quality due to changes in technology.

Trucking and transit operations are becoming more and more computerized. This coverage is vital for every aspect of the business.

Related Articles:

[ISO Computer Systems Coverage Form](#)

Fine Arts

Property coverage forms either exclude fine arts or limit payment to their utilitarian value. This coverage provides a valuation clause based on a piece of art's specified value. The art including paintings, etchings, statuary, stained or etched glass windows are covered against risk of direct physical loss. The key for comparison is the on-premises limit, off-premises limit and transit. The breakage exclusion is common but can be bought back for a significant surcharge.

Any trucking or transit operation with special art pieces or antique items will need this coverage.

Related Articles:

[ISO Commercial Fine Arts Coverage Form](#)

Goods in Transit

There are many types of policies that cover product being transported. The product may be owned by the insured and being transported by the insured. It may be owned by the insured and being transported by a hired firm. It may be non-owned and the insured is the hired transporter. In all cases coverage can be purchased to protect the product through a number of inland marine carriers. The coverage may be called motor truck cargo or transportation insurance but the policies should be similar. Key comparisons are causes of loss covered, travel territory restrictions, and warranties on security, alarm systems, locks, and unattended circumstances.

This coverage is basic to every trucking and transit operation.

Related Articles:

[ISO Motor Truck Cargo Carriers Coverage Form \(4,208 words\)](#)

[ISO Motor Truck Cargo Owners Coverage Form \(3,913 words\)](#)

Signs (Neon and Electric)

Neon, fluorescent, automatic or mechanical electric signs are covered against a risk of direct physical loss or damage. This is offered using standard AAIS or ISO Inland Marine Forms. If regular wooden sign coverage is needed, the Building and Personal Property Coverage Form must be used.

Related Articles:

[ISO Signs Coverage Form](#)

Valuable Papers and Records

The policy insures on a risk of direct physical loss basis, including misplacement or mysterious or unexplained disappearance. It covers the costs to research and replicate damaged important documents, books, and records or to replace them. Coverage is provided using standard ISO or AAIS Inland Marine Forms. There is a limited amount of coverage provided in property forms, but it is not as broad as the Inland Marine Form.

Trucking and transit operations have many types of valuable papers including driver logs, customer bills of lading, contract terms, various permits and licenses, regulatory actions and agreements, and many other items that are vital for the operation to remain in business.

Related Articles:

[ISO Valuable Papers and Records Coverage Form](#)

Warehouse Operators Legal Liability

This provides coverage for the legal liability a warehouse operator has for damages sustained by a customer's stored property. Coverage normally provides the specified perils plus theft but can be broadened. Losses due to changes in temperature may be covered.

The coverage is not standard and does vary company by company. It is important to note that this is legal liability only. A particularly stringent rule is that coverage applies only on property for which a receipt has been issued. No receipt = no coverage.

Some trucking or transit operations will operate a warehouse. This coverage is vital to their success.

Related Articles:

[ISO Warehouse Operators Legal Liability Coverage Form](#)

CRIME COVERAGES

The need for crime coverages is due to exclusions in commercial property coverage forms and policies. Most risks of physical loss of commercial property forms cover theft of merchandise and business personal property by other than employees. Theft of money, computer fraud, and employee dishonesty are usually excluded except for minimal amounts in Businessowners Policies and similar products. Crime coverage forms fill in the gaps in coverage.

Money, Securities and Other Property

The coverage forms in this section provide coverage for securities, other property, and in all but one coverage, money.

Computer Fraud

Money, securities, and other property are covered when any computer is used to fraudulently cause a transfer of the insured's property to another person located off the premises. The ISO Commercial Crime Coverage Form provides this coverage.

Any trucking or transit operation that regularly transfers funds through the computer should consider this coverage.

Related Article: [Commercial Crime Coverage Analysis 14,537 words](#)

Destruction of Electronic Data or Programs

This coverage applies to loss or damage when a computer virus is introduced or a person who is not authorized to access the system damages the insured's electronic data or programs within the computer.

Related Article: [CR 04 13-Destruction of Electronic Data or Computer Programs](#)

Employee Dishonesty

Most property coverage forms exclude employee dishonesty. As a result, this coverage is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases, or to property of others in its possession. Coverage may be provided under either standard ISO coverage forms or Surety and Fidelity Association of America forms.

Trucking and transit operations have multiple opportunities for employee dishonesty. Each operation should be evaluated carefully to determine exactly how the employee dishonesty can occur; procedures that can be put in place; and the amount of coverage that should be purchased. Potential theft of customers' goods being transported should be considered.

Related Article: [Commercial Crime Coverage Analysis](#)

Employee Dishonesty Including Customer's Property

Most property coverage forms exclude employee dishonesty. As a result, this coverage form is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases or to property of others in its possession. Coverage also applies to loss of money, securities, or property situated on a client's premises caused by an employee of the insured but only if that employee can be identified.

If operations are regularly conducted on a customer's premises, this additional endorsement is needed.

Related Article: [CR 04 01-Client's Property](#)

Extortion

Money, securities, and other property that is lost because of an extortion demand is covered by this coverage form. The definition of territory is very important and the insured can select the countries that are included within the definition. Coverage applies to threats of bodily harm to directors, officers, employees, and any of their family members. Threats of damage to the insured's property or premises are also covered. Coverage is available through standard ISO coverage forms and from specialty markets if the territory(ies) are especially dangerous.

Drivers can be targets for extortion because of the amount of time they spend off premises.

Related Article: [CR 04 03-Extortion-Commercial Entities and CR 04 04-Extortion-Government Entities](#)

Forgery or Alteration

Covers when someone – not an employee or owner – forges a signature on a check or other monetary instrument in order to obtain money that belongs to the insured. Forgery caused by an employee is covered as part of employee dishonesty.

Coverage may be provided using either a standard ISO form or a Surety and Fidelity Association form.

Trucking and transit operations are very busy places with many people milling around. Even with the best of intentions, doors are left unlocked or ex-employees may enter with a key. There are many opportunities for checks to be taken and then forged. This protection could be very important.

Related Article: [Commercial Crime Coverage Analysis](#)

Identity Fraud Expense

The cost to restore a company or individual to normal after its identify is stolen can be very high. This coverage pays nine specific types of expenses for both the insured business and its employees, directors, officers, trustees, and their family members.

Related Article: [CR 04 15-Identity Fraud Expense](#)

Kidnap and Ransom

This coverage applies to expenses related to the kidnap of a covered person. The expenses include the ransom, the cost to transport the ransom and the rescued person, the security and intermediaries in the negotiations, and more. Coverage applies to employees, directors, trustees, officers, and their relatives. Coverage territory is anywhere in the world except for specifically listed countries.

This coverage should be considered if any employees (especially drivers) travel internationally

Related Article: [CR 00 40 and CR 00 41-Kidnap/Ransom and Extortion Form and Policy](#)

Lessees of Safe Deposit Boxes

This coverage insures property the insured keeps in a safe deposit box. Theft, destruction, and disappearance causes of loss apply to securities. Burglary, robbery, or vandalism causes of loss apply to all other property. This coverage form does not insure money.

Related Article: [CR 04 09-Lessees of Safe Deposit Boxes](#)

Telephone Toll Fraud

When an unauthorized person accesses a phone system and uses it to make outgoing calls, that person is not charged any toll. Instead, the telephone system's owner must pay the bill. This can be very expensive so this coverage is available to pay those fraudulent charges. There are two important conditions. The first is that protective measures must be in place to prevent such fraud. The second is that coverage applies for only 30 days after the initial fraudulent call.

Related Article: [CR 04 16-Telephone Toll Fraud](#)

Unauthorized Reproduction of Computer Software by Employees

Software manufacturers have the right to collect penalties and fines from any company that uses its computer software without authorization. If an employee of the insured adds software that the insured does not know about, this coverage pays those penalties and fines.

Related Article: [CR 04 14-Unauthorized Reproduction of Computer Software by Employees](#)

Money and/or Securities Only

The coverage forms in this section insure only money and/or securities. There is no coverage for other property.

Theft, Disappearance, and Destruction

Money and securities inside the insured's premises or at a banking premises is covered for theft, disappearance, or destruction causes of loss. Similar coverage is provided outside the premises when money and securities are in a messenger's custody.

Related Article: [Commercial Crime Coverage Analysis](#)

Robbery and Safe Burglary

Money and securities inside the insured's premises or banking premises that are in a safe or vault are covered against robbery and safe burglary. Money and securities are also covered against robbery while outside the premises and in the care of a messenger.

Related Article: [CR 04 07-Inside the Premises-Robbery of a Custodian or Safe Burglary of Money and Securities](#)

Securities Deposited With Others

This coverage insures securities against loss caused by theft, disappearance, or destruction while inside a custodian's premises, while transported by a custodian, or while on deposit in a depository. The custodian must be named and the depository must be specifically scheduled. Coverage is provided by entering a limit, a custodian, and a depository on the declarations.

Related Article: [CR 04 10-Securities Deposited With Others](#)

Property Other than Money and Securities

The coverage forms in this section insure only property. There is no coverage for money or securities.

Premises Burglary

Covers property **other than money and securities**, inside the premises, against loss caused by robbery of a watchperson or by burglary. This is covered using the ISO Standard Crime Form.

Related Article: [Commercial Crime Coverage Analysis](#)

Premises Theft

Covers for loss by theft of property, **other than money and securities**, while it is inside the premises. This is covered using the ISO CR 04 05. This should not be attached if property coverage is provided using the CP 10 30–Causes of Loss Special Form because it would provide duplicate coverage.

Related Article: [CR 04 05-Inside the Premises–Theft of Other Property](#)

Robbery and Safe Burglary

Covers **property other than money** from actual or attempted robbery or safe burglary. Coverage inside the premises may be written to cover both robbery and safe burglary or be limited to either robbery or safe burglary. Coverage outside applies to robbery of property other than money in a messenger's care and custody.

Related Article: [CR 04 06-Inside the Premises-Robbery of A Watchperson or Burglary of Other Property](#)

LIABILITY COVERAGES

Liability coverages include both commercial general liability coverage and common liability coverages that relate to the business's premises or operations.

Commercial General Liability–Occurrence Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The occurrence basis means that occurrences that take place during the policy period are covered, regardless of when a claim for injury that results from the occurrence is presented.

Most of the liability exposure for a trucking or transit operation is related to the truck. However, there is a potential for non-auto related liability due to both on and off premises employees and conditions at the premises. This coverage is important.

Related Article: [CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis \(21,829 words\)](#)

Commercial General Liability–Claims-Made Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The claims-made basis means that only claims presented during the policy period are covered regardless of when the occurrence that resulted in injury took place. A retroactive date often limits the time the occurrence could have taken place.

Most trucking and transit operations' CGL is written on an occurrence basis.

Related Articles:

[CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis](#)

[Compare: ISO Commercial General Liability Coverage Forms-CG 00 01 \(Occurrence Basis\) To CG 00 02 \(Claims-Made Basis\),](#)

Optional Liability Coverages

The ISO Commercial General Liability Coverage Forms cover bodily injury, property damage, and personal and advertising injury from operations, premises, completed operations, and products. This may be sufficient for many insureds but others have liability exposures that these coverage forms exclude. The coverages described in this section are options that should be discussed with most insureds.

Cyber Liability

This is the most rapidly changing liability area today. The growth in the number of persons who use the Internet regularly has led to businesses promoting and marketing their products and services online. Most companies have home pages and communicate with others via text, email, chat, blogs, Facebook, and other social media. Exclusions are being added to liability coverage to restrict coverage for many cyber liability-related activities. A number of carriers are responding to the need for this cyber liability coverage. Comparing coverage forms is important because there is no standard coverage form. The following coverages should be part of any cyber liability coverage:

- Security and privacy liability
- Website content coverage/intellectual property and domain name coverage
- Virus coverage
- Civil regulatory actions
- First-party coverage for breach notifications, forensics, and credit monitoring expenses
- Cyber extortion
- Loss of data
- Loss of income due to loss of network resources

Cyber-attacks could cripple a trucking or transit operations because of the need to keep track of goods-in-transit, the tractors, trailers and drivers. An attack could result in goods being delivered to the incorrect location. This coverage is very important.

Directors and Officers

This coverage insures corporate directors and officers against claims usually brought by stockholders that allege loss that arises from mismanagement. Claims may also be made against the corporation for mismanagement by other than stockholders, which is also covered. An Outside Directorship Liability Policy Form is available as supplementary protection to insure that there are sufficient limits for the exposure created when a company's director, officer, or employee serves in an outside director position at the company's request. This coverage is not standard and may vary significantly between carriers and by type of business - i.e., for-profit, not-for-profit, closely-held, or publicly-traded.

Any trucking or transit operation with outside directors will need this coverage or risk losing the outside directors.

Related Article: [Directors and Officers Liability Insurance Overview](#)

Employee Benefits

Mistakes by the insured in administering its employee benefits program can cost employees. This coverage insures those situations. This DOES NOT INCLUDE fiduciary responsibilities or any situations that involve discrimination or harassment. A simple example is when the insured does not provide the employee with the appropriate COBRA information following termination that results in the former employee losing benefits. Most carriers provide this coverage on their own filed forms by either a separate coverage form or as an endorsement to the commercial general liability coverage. Comparisons should address the types of benefits covered, claims-made versus occurrence, and the employer's contribution. ISO provides a standard endorsement to attach to the Commercial General Liability Coverage Forms.

Trucking and transit operations often use a combination of independent contractors and employees and that can cause confusion. This coverage will be helpful if such confusion results in errors or omissions.

Related Article: [ISO Commercial General Liability Coverage Forms Available Endorsements and Their Uses](#)

Employment-related Practices

Commercial General Liability Coverage Forms do not insure lawsuits that past, present, and prospective employees or governmental entities bring against the insured employer that allege wrongful discharge, discrimination, or certain types of harassment. A separate coverage form that insures employment-related practices is available. ISO developed its own coverage form but many insurance carriers have their own versions. Using the ISO standard as a starting point to compare coverages can help agents advise their customers on the best coverage form to use for their particular situation.

Trucking and transit operations have experienced many high profile claims of harassment that are difficult to defend because all parties are off premises. Regular procedures and processes are vital to prevent discrimination and harassment from occurring and also for defending any allegations of such.

Related Article: [Employment-related Practices Liability Coverage Form Analysis](#)

Owners and Contractors Protective

This liability coverage is designed to protect either a property owner or a general contractor for the potential liability exposure that results from the hired contractor's negligent acts to perform work on the property owner's or general contractor's behalf. The contractor actually purchases the coverage, but the insurance is for the property owner or general contractor for whom the work is being done. Coverage is limited to a specific location and project.

An unusual feature is that the named insured is the property owner or general contractor who hired the contractor but the contractor pays the premium. Only the named insured property owner or general contractor can cancel.

Using this separate policy instead of being added as an additional insured to the contractor's Commercial General Liability Coverage Form allows the building owner or general contractor to better control the policy and ensure that other claims against the contractor do not dilute the limits.

Any trucking or transit operation that is having extensive work done on its premises may want to consider requesting a contractor obtain an OCP policy in its name rather than just requiring a certificate of insurance. The cost may be slightly higher, but the added protection may prove invaluable.

Related Article: [CG 00 09-Owners and Contractors Protective Liability Coverage Form-Coverage for Operations of Designated Contractor Analysis](#)

Railroad Protective

This liability coverage protects a railroad against potential liability exposures that result from negligent acts of a designated contractor that any party hires to perform work on or near a railroad. The contractor actually purchases the coverage but it protects the railroad. Coverage is limited to a specific location and project. Commercial General Liability Coverage Forms exclude construction or demolition projects that are at or near railroad properties including railroad tracks, beds, trestles, tunnels, and similar property. This is a limited liability coverage form that buys back coverage.

Related Article: [CG 00 35-Railroad Protective Liability Coverage Form Analysis](#)

Special Events

Special events generate many exposures an underwriter does not anticipate when covering a particular business. A business that participates in special events may need special coverage during that event. In other cases, businesses may sponsor special events and be exposed to unexpected hazards that must also be addressed. Commercial General Liability Coverage Forms can insure special events. The insured may decide to purchase separate coverage in order to participate in the event and to avoid diluting its limits.

Trucking or transit operations that sponsor special events should consider purchasing a special policy to protect the limits on their regular policy.

COMMERCIAL AUTO COVERAGES

These forms provide all of the coverages the insured needs for its owned, leased, or hired vehicles. They also cover the insured for non-owned use of a vehicle when an employee or volunteer uses his or her vehicle on company business. The insured can customize the coverage it needs by entering symbols on the schedule. Coverage can apply to all owned, leased, hired, and non-owned autos or just on selected vehicles.

Related Article: [ISO Business Auto Coverage Form Overview \(778 words\)](#)

Liability

This coverage applies to bodily injury and property damage to others that an insured vehicle causes.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis \(12,954 words\)](#)

Physical Damage

This consists of two different coverages.

Collision

This coverage applies to covered vehicles damaged by impact with another vehicle, object, or animal.

Other than collision

This coverage applies to covered vehicles damaged by any cause of loss other than collision, unless specifically excluded.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Hired Car

This coverage applies to bodily injury and property damage caused by any vehicle the insured hires. Physical damage coverage may also be purchased. Vehicles hired for less than six months are considered hired vehicles, not leased vehicles. This coverage is available with owned auto coverage or as stand-alone coverage.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Non-Ownership Automobile Liability

This coverage insures the employer when its employee or volunteer causes bodily injury or property damage to others while using their vehicle on the employer's business. Coverage is only for the insured's benefit, but it may be extended by endorsement to also benefit the employee.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Personal Injury Protection/No-Fault

This coverage is designed to meet the requirements of state-mandated "no-fault" coverage laws.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Optional Automobile Coverages

The Business Auto Coverage Form can be used for any insured. However, ISO has designed coverage forms that more precisely cover specific types of insureds.

Medical Payments

This coverage pays the medical expenses of an insured injured in a motor vehicle accident. It follows the insured inside any vehicle and when struck by another vehicle when he or she is outside the vehicle. Coverage also applies to family members and any other persons who occupy a covered vehicle at the time of an accident.

Related Article: [CA 99 03-Auto Medical Payments Coverage](#)

Motor Carrier

This coverage is designed for motor carriers. As a result, it also includes coverage for trailer interchange. It also includes other motor carrier/trucking industry specific items within the form that must be endorsed to the Business Auto Coverage Form.

Most trucking and transit operations will utilize this coverage form.

Related Article: [CA 00 20-Motor Carrier Coverage Form Analysis](#)

Trailer Interchange

Legal liability for damage to non-owned trailers must be endorsed to the business auto coverage form. The Motor Carriers Coverage Form includes it as standard coverage.

Most trucking and transit operations transport non-owned trailers and may have others using their trailers with their tractors. This coverage is vital.

Related Articles:

[CA 00 20-Motor Carrier Coverage Form Analysis](#)

[CA 23 20-Truckers Endorsement](#)

Uninsured Motorists

This is coverage for the insured that is struck by an uninsured motorist. It is a mandatory coverage in many states. It extends to family members and passengers in the covered vehicles. This coverage is usually restricted to bodily injury but some states also require property damage coverage. The limit should be the same as the bodily injury liability limit on the coverage form.

This coverage does not respond if the other driver is underinsured.

Related Articles:

[CA 00 01-Business Auto Coverage Form Analysis](#)

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

Underinsured Motorists

This is excess coverage provided to the insured. It applies when the party that causes the accident does not carry adequate limits to fully cover the insured's injuries. The limit should be to the same as the bodily injury liability limit on the coverage form. This coverage does not respond if the other driver is uninsured.

Related Articles:

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

WORKERS COMPENSATION COVERAGES

Workers compensation coverage is standardized but what benefits employees receive vary considerably from state to state because coverage refers directly to each particular state's workers compensation statutes. In addition, certain locations and activities allow non-federal employees to avoid state statutes and instead come under various federally mandated programs.

Workers Compensation and Employers Liability

Part A covers all injuries and diseases that individual state workers compensation statutes require be covered. Benefits are paid according to schedules each state provides. Part B covers liability that an employer may have imposed on it beyond the state statutes. The National Council of Compensation Insurance (NCCI) provides a standard form that is a

model for all member companies to use. Certain states have alternatives to NCCI but all are fairly similar. Part A is compulsory with benefits the state mandates. Part B is liability coverage and is subject to standard tort liability.

This coverage is mandatory for employers. Contractual agreements and certificates of insurance should be carefully reviewed if only independent contractors are used. The insured may be declared a statutory employer and if no workers compensation coverage is carried could sustain heavy fines plus bear the full responsibility for injuries.

Related Article: [WC 00 00 00 B-Workers Compensation and Employers Liability Insurance Policy Analysis \(9,448 words\)](#)

Stop Gap or Employers Liability Coverage

There are gaps in coverage between workers compensation and commercial general liability coverages that can leave an insured uncovered. Part B of the Workers Compensation and Employers Liability Insurance Policy fills the gaps in most states. However, the state covers only Part A in monopolistic states. Another mechanism must provide the equivalent of Part B. Coverage may be offered on a monoline basis, as a stand-alone policy through a workers compensation carrier, or as an endorsement to the commercial general liability coverage.

Trucking and transit operations with locations in any of the monopolistic states should purchase stop gap liability. All other workers compensation policies should include the employers liability as Part B of the policy.

Related Article: [Stop Gap-Employers Liability Coverage](#)

Federal Employers' Liability Act (FELA)

This coverage ensures employees who work for or on railroads that cross interstate lines who are not subject to state workers compensation coverages. This coverage is provided by an endorsement to the Workers Compensation and Employers Liability Insurance Policy.

Related Article: [The Federal Employers' Liability Act \(FELA\) Of 1908](#)

Longshore and Harbor Workers Coverage

This endorsement to the Workers Compensation and Employers Liability Insurance Policy covers workers or maritime employees such as longshore workers, harbor workers, shipbuilders, ship-breakers, ship repairers, or other employees engaged in loading, unloading, repairing, or building vessels. It also covers employees who work on navigable waters, adjoining piers, wharves, dry docks, terminals, building ways, and marine railways. Masters, captains, or crews of vessels are not covered because they are subject to the Jones Act.

Trucking or transit operations that operate on the water, especially on navigable waters, such as rivers and oceans, may be required to purchase this coverage.

Related Articles:

[The United States Longshore and Harbor Workers' Compensation Act \(USL&HWCA\)](#)

[The Merchant Marine Act Of 1920 \(The Jones Act\)](#)

Voluntary Compensation

Each state defines who must be covered and who is exempt under workers compensation statutes. The employer then has the opportunity to include the exempt employees using the voluntary compensation endorsement.

Trucking and transit operations should consider including all exempt employees by using this form in order to eliminate coverage gaps.

Related Article: [Voluntary Compensation Insurance](#)

EXCESS LIABILITY COVERAGES

Excess liability coverage supplements the limits of an insured's commercial general liability, commercial automobile liability, and employers liability coverage. Excess liability coverage is triggered when the limits of the underlying insurance are used up. Also it covers an underlying loss that the underlying coverage excludes, subject to the self-insured retention.

Excess Liability Policy

In its purest form, excess liability policies do not have any exclusions or coverage. They track 100% with the scheduled underlying coverages and simply extend limits. Excess policies never provide additional coverage. Many carriers use their own coverage forms and add exclusions and language that make them look more like restricted umbrella policies instead of excess liability policies. Key areas to compare are exclusions and following-form terms.

Trucking and transit operations should carry either an umbrella or an excess policy. If unusual terms have been negotiated in the underlying policy, the excess liability could provide the most complete coverage; but if the underlying is standard, the umbrella may provide some gap coverage not available in the excess.

Related Article: [What Is The Difference Between Umbrella Policies and Excess Policies? \(674 words\)](#)

Umbrella Policy

These policies serve two purposes. First, they provide excess liability limits over the limits in scheduled underlying policies. Second, they fill some gaps in coverage in the underlying coverage. ISO and AAIS have developed standard liability umbrella coverage forms, but many carriers use their own independently filed forms to provide coverage. As a result, comparing coverages is essential. Key areas that should be compared are exclusions, deductibles, whether a follow-form is offered over unusual underlying exposures, limits, and defense costs (included inside or outside the limits).

Trucking and transit operations should carry either an umbrella or an excess liability policy because of the potential for catastrophic loss due to the number of persons who can be injured or killed in a semi-tractor collision.

Related Article: [CU 00 01-Commercial Liability Umbrella Coverage Form Analysis \(18,892 words\)](#)

AVIATION COVERAGES

Specialty markets provide aviation coverages. Any operation that utilizes aircraft in its business needs these coverages. The applications are extensive and coverage is unique and more closely related to Ocean Marine Insurance than other types of coverage.

Aircraft Policy

Aircraft policies are business auto policies for vehicles that fly. Four coverages are available:

- Liability for bodily injury or property damage to parties the aircraft injures
- Passenger liability for bodily injury or property damage to parties in the aircraft
- Medical expense coverage for the aircraft's passengers and crew
- Hull coverage or physical damage coverage on the aircraft itself

Aircraft coverage is very specialized. The marketplace is limited and there are few standardized forms.

Multi-location operations may find an owned small aircraft more convenient than commercial air lines.

Related Article: [Aircraft Insurance Coverage Analysis](#)

Passenger Liability

Bodily injury to passengers on aircraft is written on a per seat/aggregate basis. All aircraft coverage is written by non-admitted carriers on forms they developed. Key points to compare are the limits by type of coverage and exclusions.

This coverage should be purchased when an aircraft is owned to protect any passengers who may be aboard.

Related Article: [Aircraft Insurance Coverage Analysis](#)

SPECIALTY COVERAGES

These are unique coverages for particular types of insureds. The coverage forms used to provide the coverage are not standardized and are usually written with excess and surplus lines markets.

Environmental Impairment Liability Policy

Standard liability insurance policies exclude most damage that pollution causes. This coverage form insures a business's pollution exposure associated with its property and operations. It can also cover cleanup costs and remedial action a third-party demands or a governmental entity orders. Coverage varies by carrier, and comparing coverage forms based on items covered, exclusions, definitions, and defense costs inside or outside the limit is important.

Fiduciary Liability Insurance

A fiduciary that manages a pension or employee benefit plan faces substantial liabilities that are primarily framed by the Employee Retirement Income Security Act (ERISA.). Private pension and employee benefit plans are subject to ERISA, whether sponsored by single employers, multi-employers, unions, or joint labor-management trusts.

The insured is a trust or employee benefit plan, any trustee, officer, or employee of the trust or employee benefit plan, employer who is sole sponsor of a plan, and any other individual or organization designated as a fiduciary. The coverage provided uses nonstandard forms. The most important information to obtain in any coverage form is that it conforms to current pension law.

Trucking and transit operations that have pension plans and trustees to administer the plan should purchase this coverage. Related Article: [Trustees and Fiduciaries Liability Insurance](#)

International/Foreign Operations Insurance

Policies written in the United States usually define territory to include only the United States of America, its territories, Puerto Rico, and Canada. Some provide limited worldwide coverage for incidental travel and some products liability losses.

Many companies have international exposures that exceed the limited coverage that standard policies provide. Companies that have physical assets outside of the United States need international coverage for property, liability, automobile, appropriate workers compensation, and inland marine. Many major insurance companies have facilities to provide international coverage or can assist in placing the coverage.

There are two kinds of policies for property located and land operations conducted abroad. Non-admitted insurance policies are written in English in the United States or a branch office of the company abroad. Protection may apply to more than one country and premiums and losses are paid in dollars.

Admitted insurance policies are products of the insurance market of the country involved with which the American underwriter has a working agreement. They are written in that country's language and premiums and losses are paid in the local currency. American businesses that do not establish facilities abroad but still import or export products require international coverage for risks that arise from using certain of their products. Many major carriers have developed the international equivalent of Businessowners Policies to cover these risks.

Any trucking of transit operation that delivers cargo outside the U.S. border should consider this coverage. Of particular concern is travel into NAFTA areas in Mexico and Canada.

Related Article: [International Insurance](#)

Terrorism Insurance

Standard ISO coverage forms do not specifically exclude terrorism. However, many companies exclude both domestic and foreign terrorism by endorsement. Terrorism coverage must be offered. An endorsement is issued if the insured rejects coverage. When terrorism coverage is accepted, the insurance company that provides the other coverage also provides terrorism coverage.

The terrorism coverage most carriers offer was initially based on the 2002 federal legislation called T.R.I.A. It is now based on the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) that extends federal backup coverage until 2014.

Related Article: [Terrorism and Insurance](#)

Underground Storage Tank Liability (UST)

The United States Environmental Protection Agency (EPA) requires property owners or business operators with underground storage tanks on their premises that contain petroleum products to prove that they are financially responsible. It requires that the owner of the tank be able to pay for any bodily injury or property damage may result from the tank leaking as well as the expenses to take corrective action. Covered underground storage tanks include ones designed to store fuel for the insured's motor vehicles as well as heating fuels.

ISO designed the UST Policy with the EPA's approval to meet those financial responsibility requirements. Other carriers have developed their own forms that should be examined carefully to ensure they meet or exceed EPA standards and requirements.

Many trucking and transit operations have underground storage tanks that are subject to EPA ruling. This coverage is mandatory for them.

Related Article: [CG 00 42-Underground Storage Tank Policy Analysis](#)

BONDS

The surety market offers many types of bonds. The two primary categories are Contract and Non-contract bonds. Contract bonds include bid, contract, and payment bonds and are used when there is a contractual obligation with respect to a specific contract. Non-contract bonds include license, permit, and judicial bonds and relate to obligations and performances that must be met that are not due to a contract.

Related Article: [Surety Bonds Overview \(1,380 words\)](#)

Bid Bond

The bid process can take a long time. When it is complete, the customer expects the contractor or supplier to deliver as promised. In many cases, a bid bond is required that obligates the surety to honor the bid bond either by issuing a contract bond if the contractor or supplier receives the contract or paying a penalty that offsets the cost of reopening the bid process.

Related Article: [Construction Contract Bonds](#)

Contract Bond

Contracts are a way of doing business. One way to guarantee that a contract will be performed is to require posting a bond that guarantees its successful performance. The bond provides a level of security beyond the signature on the contract. The purchaser of the services is assured that the surety will either carry out the contract or provide compensation.

Related Article: [Construction Contract Bonds](#)

Fiduciary Bond

Fiduciary bonds protect parties that have a financial interest in an estate or in property involved in proceedings such as bankruptcy, conservation, or liquidation. Interested parties may be heirs, infants, incompetents, creditors, or other beneficiaries. Administrators, executors, guardians, and trustees are the most familiar fiduciary risks. The fiduciary is the principal and may be an individual or an institution.

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License and Permit Bond

Most municipalities and states require that businesses provide license or permit bonds to a governmental entity as part of their application to obtain needed permits or licenses. The bond guarantees that the entity will abide by the conditions of the license or permit. If the business violates the conditions, the surety pays the bond penalty to the governmental authority and then collects the penalty from the business.

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Total word count is 310,697